

Cape Agulhas

MUNICIPALITY



**KAAP AGULHAS MUNISIPALITEIT
CAPE AGULHAS MUNICIPALITY
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[These financial statements have not been audited]

FINANCIAL STATEMENTS

30 JUNE 2014

CAPE AGULHAS LOCAL MUNICIPALITY

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CAPE AGULHAS LOCAL MUNICIPALITY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

GENERAL INFORMATION

NATURE OF BUSINESS

Cape Agulhas Municipality is a local municipality performing the functions as set out in the Constitution. (Act no 105 of 1996)

COUNTRY OF ORIGIN AND LEGAL FORM

South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998)

JURISDICTION

The Cape Agulhas Municipality includes the following areas:

| | | |
|-------------------|-------------------|-----------------|
| <i>Bredasdorp</i> | <i>L'Agulhas</i> | <i>Protem</i> |
| <i>Napier</i> | <i>Arniston</i> | <i>Klipdale</i> |
| <i>Struisbaai</i> | <i>Suidstrand</i> | |

MEMBERS OF THE COUNCIL

| | |
|------------------------|----------------------------|
| Executive Mayor | <i>RG Mitchell</i> |
| Executive Deputy Mayor | <i>D Jantjies</i> |
| Speaker | <i>E C Marthinus (Ms)</i> |
| Councillor - Full time | <i>M R Mokotwana</i> |
| Councillor - Part time | <i>P N Atyhosie (Miss)</i> |
| Councillor - Part time | <i>J G A Niewoudt</i> |
| Councillor - Part time | <i>G D Burger</i> |
| Councillor - Part time | <i>JA Coetzee</i> |
| Councillor - Part time | <i>W J October</i> |

MUNICIPAL MANAGER

Mr D O'Neill

CHIEF FINANCIAL OFFICER

Mr H Van Biljon

REGISTERED OFFICE

PO Box 51, Bredasdorp, 7280

AUDITORS

Office of the Auditor General (WC)

PRINCIPLE BANKERS

ABSA, Bredasdorp

RELEVANT LEGISLATION

Municipal Finance Management Act (Act no 56 of 2003)
Division of Revenue Act
The Income Tax Act
Value Added Tax Act
Municipal Structures Act (Act no 117 of 1998)
Municipal Systems Act (Act no 32 of 2000)
Municipal Planning and Performance Management Regulations
Water Services Act (Act no 108 of 1997)
Housing Act (Act no 107 of 1997)
Municipal Property Rates Act (Act no 6 of 2004)
Electricity Act (Act no 41 of 1987)
Skills Development Levies Act (Act no 9 of 1999)
Employment Equity Act (Act no 55 of 1998)
Unemployment Insurance Act (Act no 30 of 1966)
Basic Conditions of Employment Act (Act no 75 of 1997)
Supply Chain Management Regulations, 2005
Collective Agreements
Infrastructure Grants
SALBC Leave Regulations

ATTORNEYS

Luttig, Badenhorst & Fourie Attorneys

CAPE AGULHAS LOCAL MUNICIPALITY

MEMBERS OF THE CAPE AGULHAS LOCAL MUNICIPALITY

| WARD | COUNCILLOR |
|--------------|---|
| 1 | Mr W J October |
| 2 | Mr D Jantjies (Executive Deputy Mayor) |
| 3 | Mr RG Mitchell (Executive Mayor) |
| 4 | Mr JGA Niewoudt |
| 5 | Mr GD Burger |
| Proportional | Mr MR Mokotwana (Member of Executive Mayor Committee) |
| Proportional | Mrs EC Marthinus (Speaker) |
| Proportional | Mr JA Coetzee |
| Proportional | Miss PN Atyhosi |

APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements year ended 30 June 2014, which are set out on pages 1 to 79 in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality. The annual financial statements have been prepared in accordance with GRAP.

I acknowledge that I am ultimately responsible for the system of internal financial control and that the system of internal control provides reasonable assurance that the financial records can be relied on.

I have reviewed the Municipality's cash flow forecast for the year to 30 June 2015 and is satisfied that the Municipality can continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the Municipality's financial statements.

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

Mr D O'Neill
Municipal Manager

Date

CAPE AGULHAS LOCAL MUNICIPALITY

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2014

| | Notes | 2014 R (Actual) | 2013 R (Restated) |
|--|-------|-----------------------|-------------------------|
| NET ASSETS AND LIABILITIES | | | |
| Net Assets | | 291 834 632 | 284 469 297 |
| Capital Replacement Reserve | 2 | 15 750 000 | 16 500 000 |
| Valuation Roll Reserve | 2 | - | 2 000 000 |
| Accumulated Surplus | 2 | 276 084 632 | 265 969 297 |
| Non-Current Liabilities | | 58 391 463 | 52 267 071 |
| Long term Liabilities | 3 | 503 546 | 656 142 |
| Employee benefits | 4 | 36 562 461 | 30 373 646 |
| Non-Current Provisions | 5 | 21 325 455 | 21 237 284 |
| Current Liabilities | | 25 878 101 | 23 397 857 |
| Consumer Deposits | 6 | 3 643 008 | 3 412 296 |
| Current Employee benefits | 7 | 6 957 667 | 7 127 600 |
| Provisions | 8 | 2 713 221 | 310 511 |
| Payables from exchange transactions | 9 | 6 731 022 | 6 169 758 |
| Unspent Conditional Government Grants and Receipts | 10 | 5 529 399 | 5 954 146 |
| Current Portion of Long-term Liabilities | 3 | 303 785 | 423 546 |
| Total Net Assets and Liabilities | | 376 104 196 | 360 134 225 |
| ASSETS | | | |
| Non-Current Assets | | 335 851 476 | 315 650 622 |
| Property, Plant and Equipment | 12 | 276 472 683 | 254 846 101 |
| Investment Property | 13 | 40 694 286 | 40 732 816 |
| Intangible Assets | 14 | 564 809 | 520 431 |
| Capitalised Restoration cost | 15 | 17 756 682 | 19 065 201 |
| Non-Current Investments | 16 | 45 113 | 135 260 |
| Long-Term Receivables | 17 | 317 903 | 350 813 |
| Current Assets | | 40 252 719 | 44 483 603 |
| Inventory | 18 | 692 167 | 908 680 |
| Receivables from exchange transactions | 19 | 15 042 831 | 12 761 827 |
| Receivables from non-exchange transactions | 20 | 2 958 302 | 2 390 888 |
| Unpaid Conditional Government Grants and Receipts | 10 | - | 3 603 367 |
| Operating Lease Asset | 21.1 | 69 452 | 64 545 |
| Taxes | 11 | 76 212 | 185 657 |
| Current Portion of Long-term Receivables | 17 | 6 554 | 6 239 |
| Cash and Cash Equivalents | 22 | 21 407 201 | 24 562 400 |
| Total Assets | | 376 104 196 | 360 134 225 |

CAPE AGULHAS LOCAL MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2014

| | Notes | 2014 (Actual) R | 2013 (Restated) R |
|---|-------|-----------------------|-------------------------|
| REVENUE | | | |
| Revenue from Non-exchange Transactions | | 109 026 572 | 122 291 522 |
| Taxation Revenue | | 39 325 113 | 34 763 132 |
| Property taxes | 23 | 39 325 113 | 34 763 132 |
| Transfer Revenue | | 68 276 273 | 86 667 001 |
| Government Grants and Subsidies - Capital | 24 | 15 437 376 | 23 712 195 |
| Government Grants and Subsidies - Operating | 24 | 51 548 897 | 62 888 244 |
| Public Contributions and Donations | 51 | 1 290 000 | 66 562 |
| Other Revenue | | 1 425 187 | 861 390 |
| Fines | | 1 399 702 | 861 390 |
| Third Party Payments | | 25 484 | - |
| Revenue from Exchange Transactions | | 111 633 486 | 103 891 718 |
| Service Charges | 26 | 98 826 253 | 91 847 022 |
| Rental of Facilities and Equipment | | 5 177 452 | 5 013 761 |
| Interest Earned - external investments | | 1 889 339 | 2 049 891 |
| Interest Earned - outstanding debtors | 27 | 759 766 | 636 871 |
| Licences and Permits | | 962 721 | 1 036 463 |
| Agency Services | | 1 254 725 | 1 095 153 |
| Other Income | 28 | 2 763 231 | 2 212 557 |
| Total Revenue | | 220 660 058 | 226 183 240 |
| EXPENDITURE | | | |
| Employee related costs | 29 | 72 810 326 | 68 537 363 |
| Remuneration of Councillors | 30 | 3 287 800 | 3 076 960 |
| Debt Impairment | 31 | 2 968 851 | 2 179 110 |
| Depreciation and Amortisation | 32 | 8 244 648 | 7 174 942 |
| Impairments | 33 | 2 484 188 | 262 194 |
| Repairs and Maintenance | | 9 265 348 | 8 696 553 |
| Actuarial losses | 4 | 2 773 662 | 2 022 024 |
| Finance Charges | 34 | 1 141 867 | 664 736 |
| Bulk Purchases | 35 | 54 260 605 | 49 044 131 |
| Contracted services | | 1 335 945 | 1 126 992 |
| Operating Grant Expenditure | 36 | 23 619 658 | 39 998 012 |
| General Expenses | 37 | 29 835 625 | 24 728 224 |
| Loss on disposal of PPE | | 1 266 201 | 6 774 616 |
| Total Expenditure | | 213 294 724 | 214 285 858 |
| NET SURPLUS/(DEFICIT) FOR THE YEAR | | 7 365 335 | 11 897 382 |

CAPE AGULHAS LOCAL MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2014

| | Valuation Roll Reserve | Housing Development Fund | Capital Replacement Reserve | Accumulated Surplus | Total |
|---|---------------------------------------|---|--|--------------------------------|--------------------|
| | R | R | R | R | R |
| Balance at 1 JULY 2012 | 1 500 000 | 1 337 286 | 20 500 000 | 235 142 882 | 258 480 167 |
| Correction of error - Refer to note 38.12 | - | (1 337 286) | - | 15 429 033 | 14 091 747 |
| Restated Balance at 1 JULY 2012 | 1 500 000 | - | 20 500 000 | 250 571 915 | 272 571 915 |
| Net Surplus for the year | - | - | - | 11 897 382 | 11 897 382 |
| Transfer to/from CRR | - | - | 5 941 551 | (5 941 551) | - |
| Property, Plant and Equipment purchased | - | - | (9 941 551) | 9 941 551 | - |
| Transfer to Valuation Roll Reserve | 500 000 | - | - | (500 000) | - |
| Restated Balance at 1 JULY 2013 | 2 000 000 | - | 16 500 000 | 265 969 297 | 284 469 297 |
| Net Surplus for the year | - | - | - | 7 365 335 | 7 365 335 |
| Transfer to/from CRR | - | - | 14 565 063 | (14 565 063) | - |
| Property, Plant and Equipment purchased | - | - | (15 315 063) | 15 315 063 | - |
| Transfer from Valuation Roll Reserve | (2 000 000) | - | - | 2 000 000 | - |
| Balance at 30 JUNE 2014 | - | - | 15 750 000 | 276 084 632 | 291 834 632 |

CAPE AGULHAS LOCAL MUNICIPALITY

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2014

| | Notes | 2014 R | 2013 R |
|--|-------|---------------------|---------------------|
| CASH FLOW FROM OPERATING ACTIVITIES | | | |
| Receipts | | | |
| Ratepayers and other | | 146 823 769 | 140 641 398 |
| Government | | 70 561 513 | 87 409 293 |
| Interest | | 2 660 457 | 2 711 961 |
| Payments | | | |
| Suppliers and employees | | (191 297 583) | (198 206 235) |
| Finance charges | 34 | (1 141 867) | (664 736) |
| Cash generated by operations | 40 | <u>27 606 289</u> | <u>31 891 681</u> |
| CASH FLOW FROM INVESTING ACTIVITIES | | | |
| Purchase of Property, Plant and Equipment | 12 | (30 565 147) | (33 248 808) |
| Proceeds on Disposal of Fixed Assets | | - | 229 958 |
| Decrease in Long-term Receivables | | 32 595 | 29 193 |
| Purchase of Intangible Assets | | (166 290) | (451 500) |
| Increase in Non-Current Investments | | (21 001) | (377 297) |
| Net Cash from Investing Activities | | <u>(30 719 844)</u> | <u>(33 818 454)</u> |
| CASH FLOW FROM FINANCING ACTIVITIES | | | |
| New loans raised | | 167 611 | 43 969 |
| Loans repaid | | (439 968) | (399 151) |
| Increase in Consumer Deposits | | 230 712 | 259 594 |
| Net Cash absorbed from Financing Activities | | <u>(41 644)</u> | <u>(95 588)</u> |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | | | |
| | | <u>(3 155 199)</u> | <u>(2 022 361)</u> |
| Cash and Cash Equivalents at the beginning of the year | | 24 562 400 | 26 584 761 |
| Cash and Cash Equivalents at the end of the year | 41 | <u>21 407 201</u> | <u>24 562 400</u> |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | | <u>(3 155 199)</u> | <u>(2 022 361)</u> |

CAPE AGULHAS LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2014
COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET

| | 2014 R (Actual) | 2014 R (Final budget) | 2014 R (Variance) | Explanations for material variances |
|--|-----------------------|-----------------------------|-------------------------|---|
| ASSETS | | | | |
| Current assets | | | | |
| Cash | 21 407 201 | 18 066 241 | 3 340 961 | Variance in line with increase in payables on 30 June 2014 |
| Consumer debtors | 18 001 132 | 15 394 365 | 2 606 767 | Actuals based on projected trends and legal cost debited to consumer accounts |
| Other Receivables | 145 664 | 629 577 | (483 913) | Impairment of legal fees (R 484 000) not taken into account in final budget, |
| Current portion of long-term receivables | 6 554 | 6 239 | 316 | Not regarded as material |
| Inventory | 692 167 | 1 070 768 | (378 601) | Positive variance based on actual needs and final budget based on June 2013 figures. |
| Total current assets | 40 252 719 | 35 167 189 | 5 085 530 | |
| Non current assets | | | | |
| Long-term receivables | 317 903 | 344 574 | (26 672) | Not regarded as material |
| Investments | 45 113 | 140 459 | (95 346) | Not regarded as material |
| Investment property | 40 694 286 | 35 706 914 | 4 987 373 | New properties identified in current year (restated retrospectively) |
| Property, plant and equipment | 276 472 683 | 264 370 579 | 12 102 104 | New properties identified in current year (restated retrospectively) |
| Intangible Assets | 564 809 | 487 662 | 77 147 | New additions not fully budgeted for. |
| Capitalised Restoration Cost | 17 756 682 | 18 650 201 | (893 519) | Reduction in restoration cost due to revised legislative requirements. |
| Total non current assets | 335 851 476 | 319 700 389 | 16 151 087 | |
| TOTAL ASSETS | 376 104 196 | 354 867 578 | 21 236 617 | |
| LIABILITIES | | | | |
| Current liabilities | | | | |
| Borrowing | 303 785 | 392 074 | (88 289) | Not regarded as material |
| Consumer deposits | 3 643 008 | 3 542 377 | 100 631 | Not regarded as material |
| Trade and other payables | 12 260 421 | 6 768 167 | 5 492 254 | Increase as a result of unspent housing funds on 30 June 2014. June 2014 EFT's only released in July. |
| Provisions and Employee Benefits | 9 670 888 | 6 277 602 | 3 393 285 | Provision of pro-rata bonuses not budgeted for. Increase in cost of L'Agulhas landfill site not anticipated in budget. |
| Total current liabilities | 25 878 101 | 16 980 220 | 8 897 881 | |
| Non current liabilities | | | | |
| Borrowing | 503 546 | 404 837 | 98 710 | Not regarded as material |
| Provisions and Employee Benefits | 57 887 916 | 56 118 006 | 1 769 910 | Variance mainly as a result of actuarial losses. |
| Total non current liabilities | 58 391 463 | 56 522 843 | 1 868 620 | |
| TOTAL LIABILITIES | 84 269 564 | 73 503 062 | 10 766 501 | |
| NET ASSETS | 291 834 632 | 281 364 516 | 10 470 116 | |
| COMMUNITY WEALTH | | | | |
| Accumulated Surplus/(Deficit) | 276 084 632 | 260 327 230 | 15 757 401 | Refer to impact of reasons provided above. |
| Reserves | 15 750 000 | 21 037 286 | (5 287 286) | Deviation based on the disestablishment of Valuation Roll Reserve as well as the utilisation of the Housing Development Fund. |
| TOTAL COMMUNITY WEALTH/EQUITY | 291 834 632 | 281 364 516 | 10 470 116 | |

CAPE AGULHAS LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2014

ADJUSTMENTS TO APPROVED BUDGET

| | 2014 R (Approved Budget) | 2014 R (Adjustments) | 2014 R (Final Budget) | Explanations for material adjustments |
|--|--------------------------------|----------------------------|-----------------------------|---|
| ASSETS | | | | |
| Current assets | | | | |
| Cash | 9 561 454 | 8 504 787 | 18 066 241 | Cash adjustment aligned with closing actual balances on 30 June 2013. |
| Consumer debtors | 19 438 016 | (4 043 651) | 15 394 365 | Align receivables to incorporate impact of internal debtors incorrectly included. |
| Other Receivables | 955 036 | (325 459) | 629 577 | Adjustment to be in line with 2013 actual figures |
| Current portion of long-term receivables | 5 000 | 1 239 | 6 239 | Not regarded as material |
| Inventory | 1 070 768 | - | 1 070 768 | |
| Total current assets | 31 030 274 | 4 136 915 | 35 167 189 | |
| Non current assets | | | | |
| Long-term receivables | 370 306 | (25 732) | 344 574 | Not regarded as material |
| Investment property | 36 591 909 | (884 996) | 35 706 914 | Adjustment to be in line with 2013 actual figures |
| Property, plant and equipment | 260 037 505 | 4 333 075 | 264 370 579 | Adjustment to be in line with 2013 actual figures |
| Intangible Assets | 44 463 | 443 199 | 487 662 | Adjustment to be in line with 2013 actual figures |
| Capitalised Restoration Cost | 8 910 879 | 9 739 322 | 18 650 201 | Adjustment to be in line with 2013 actual figures |
| Total non current assets | 305 955 062 | 13 745 327 | 319 700 389 | |
| TOTAL ASSETS | 336 985 336 | 17 882 242 | 354 867 578 | |
| LIABILITIES | | | | |
| Current liabilities | | | | |
| Borrowing | 231 599 | 160 475 | 392 074 | Adjustment to be in line with 2013 actual figures |
| Consumer deposits | 3 542 377 | - | 3 542 377 | |
| Trade and other payables | 8 090 774 | (1 322 607) | 6 768 167 | Adjustment to be in line with 2013 actual figures |
| Provisions and Employee Benefits | 5 097 515 | 1 180 087 | 6 277 602 | Adjustment to be in line with 2013 actual figures |
| Total current liabilities | 16 962 265 | 17 955 | 16 980 220 | |
| Non current liabilities | | | | |
| Borrowing | 399 241 | 5 596 | 404 837 | Not regarded as material |
| Provisions and Employee Benefits | 40 831 773 | 15 286 233 | 56 118 006 | Adjustment to be in line with 2013 actual figures taking into account the revised estimated for rehabilitation costs on 30 June 2013. |
| Total non current liabilities | 41 231 014 | 15 291 829 | 56 522 843 | |
| TOTAL LIABILITIES | 58 193 279 | 15 309 783 | 73 503 062 | |
| NET ASSETS | 278 792 057 | 2 572 459 | 281 364 517 | |
| COMMUNITY WEALTH | | | | |
| Accumulated Surplus/(Deficit) | 257 054 772 | 3 272 459 | 260 327 230 | Refer to impact of reasons provided above. |
| Reserves | 21 737 286 | (700 000) | 21 037 286 | Adjustment to be in line with 2013 actual figures |
| TOTAL COMMUNITY WEALTH/EQUITY | 278 792 057 | 2 572 459 | 281 364 517 | |

CAPE AGULHAS LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2014

COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET

| | 2014 R (Actual) | 2014 R (Final Buget) | 2014 R (Variance) | Explanations for material variances |
|---|-----------------------|----------------------------|-------------------------|---|
| REVENUE BY SOURCE | | | | |
| Property rates | 39 325 113 | 39 102 555 | 222 558 | % Deviation not material |
| Service charges | 98 826 253 | 100 057 035 | (1 230 782) | % Deviation not material and as a result of decline in electricity consumption. |
| Rental of facilities and equipment | 5 177 452 | 5 898 432 | (720 980) | Deviation due to economic down turn i.r.o. Holiday Resorts |
| Interest earned - external investments | 1 889 339 | 1 650 000 | 239 339 | Deviation due to higher surplus cash available and interest rate than expected |
| Interest earned - outstanding debtors | 759 766 | 737 230 | 22 536 | % Deviation not material |
| Fines | 1 399 702 | 1 186 416 | 213 286 | Deviation due to implementation of IGRAP 1 on the recognition of fines |
| Licences and permits | 962 721 | 1 244 013 | (281 292) | Over budget in terms of actual revenue projection |
| Agency services | 1 254 725 | 1 230 400 | 24 325 | % Deviation not material |
| Government Grants and Subsidies - Operating | 51 548 897 | 61 237 078 | (9 688 181) | Mainly due to unspent portion of grants at year end. |
| Other revenue | 4 078 715 | 4 024 953 | 53 762 | % Deviation not material |
| Total Operating Revenue | 205 222 682 | 216 368 112 | (11 145 430) | |
| EXPENDITURE BY TYPE | | | | |
| Employee related costs | 72 810 326 | 75 510 295 | (2 699 969) | Underspending due to vacant positions not filled accordingly |
| Remuneration of councillors | 3 287 800 | 3 337 988 | (50 188) | % Deviation not material |
| Debt impairment | 2 968 851 | 1 110 000 | 1 858 851 | Due to the increase outstanding debt as well as a decrease in collection rate. |
| Depreciation & asset impairment | 10 728 836 | 7 013 631 | 3 715 205 | Deviation due to correction of asset useful lives and additions not sufficient budgeted |
| Finance charges | 1 141 867 | 1 198 966 | (57 099) | % Deviation not material |
| Bulk purchases | 54 260 605 | 53 325 000 | 935 605 | % Deviation not material |
| Contracted services | 1 335 945 | 977 800 | 358 145 | Unrealistic budget estimates not aligned to actual expenditure needs. |
| Other expenditure | 65 494 293 | 77 071 747 | (11 577 454) | Mainly due to unspent portion of grants at year end. |
| Loss on disposal of PPE | 1 266 201 | - | 1 266 201 | Assets written-off and disposed for which none was budgeted |
| Total Operating Expenditure | 213 294 724 | 219 545 427 | (6 250 703) | |
| Operating Deficit for the year | (8 072 041) | (3 177 315) | (4 894 726) | |
| Government Grants and Subsidies - Capital | 15 437 376 | 13 621 793 | 1 815 583 | Deviation due to ad hoc capital grants received after adjustment budget timeframe |
| Net Surplus for the year | 7 365 335 | 10 444 478 | (3 079 143) | |

CAPE AGULHAS LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2014

ADJUSTMENTS TO APPROVED BUDGET

| | 2014 R (Approved Budget) | 2014 R (Adjustments) | 2014 R (Final Buget) | Reasons for material adjustments |
|---|--------------------------------|----------------------------|----------------------------|---|
| REVENUE BY SOURCE | | | | |
| Property rates | 39 102 555 | - | 39 102 555 | |
| Service charges | 103 280 640 | (3 223 605) | 100 057 035 | Correction of the treatment of internal revenue. |
| Rental of facilities and equipment | 5 898 432 | - | 5 898 432 | |
| Interest earned - external investments | 1 650 000 | - | 1 650 000 | |
| Interest earned - outstanding debtors | 737 230 | - | 737 230 | |
| Fines | 1 186 416 | - | 1 186 416 | |
| Licences and permits | 1 244 013 | - | 1 244 013 | |
| Agency services | 1 230 400 | - | 1 230 400 | |
| Government Grants and Subsidies - Operating | 62 543 333 | (1 306 255) | 61 237 078 | Adjustement based on projected expenditure estimates for recognition |
| Other revenue | 4 024 953 | - | 4 024 953 | |
| Total Operating Revenue | 220 897 972 | (4 529 860) | 216 368 112 | |
| EXPENDITURE BY TYPE | | | | |
| Employee related costs | 77 028 667 | (1 518 372) | 75 510 295 | Adjustment due to projected savings |
| Remuneration of councillors | 3 337 988 | - | 3 337 988 | |
| Debt impairment | 1 110 000 | - | 1 110 000 | |
| Depreciation & asset impairment | 6 774 631 | 239 000 | 7 013 631 | % Deviation not material |
| Finance charges | 277 035 | 921 931 | 1 198 966 | Adjustments necessary due to the identification of finances leases for recording. Increase in unwinding of interest on landfill site provision. |
| Bulk purchases | 50 900 000 | 2 425 000 | 53 325 000 | Adjustment due to actual expenditure projections |
| Contracted services | 1 190 600 | (212 800) | 977 800 | Adjustments based on projected expenditure trends |
| Other expenditure | 82 880 621 | (5 808 874) | 77 071 747 | Adjustments based on projected expenditure trends and unspent operating grants |
| Total Operating Expenditure | 223 499 542 | (3 954 115) | 219 545 427 | |
| Operating Deficit for the year | (2 601 570) | (575 745) | (3 177 315) | |
| Government Grants and Subsidies - Capital | 13 416 667 | 205 126 | 13 621 793 | |
| Net Surplus/(Deficit) for the year | 10 815 097 | (370 619) | 10 444 478 | % Deviation not material |

CAPE AGULHAS LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2014

COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET

| | 2014 R (Actual) | 2014 R (Final Buget) | 2014 R (Variance) | Explanations for material variances |
|--|-----------------------|----------------------------|-------------------------|---|
| CASH FLOW FROM OPERATING ACTIVITIES | | | | |
| Receipts | | | | |
| Ratepayers and other | 146 823 769 | 157 158 050 | (10 334 281) | Increase in receivables combined with a decrease in service charges |
| Government | 70 561 513 | 72 435 000 | (1 873 487) | Ad hoc grants not budgeted for. |
| Interest | 2 660 457 | 2 067 588 | 592 869 | More surplus cash than anticipated |
| Payments | | | | |
| Suppliers and Employees | (191 297 583) | (210 485 618) | 19 188 035 | Unspent grants at year end and cost savings |
| Finance charges | (1 141 867) | (1 198 966) | 57 099 | Not regarded as material |
| NET CASH FROM/(USED) OPERATING ACTIVITIES | 27 606 289 | 19 976 054 | 7 630 236 | |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Receipts | | | | |
| Decrease/(increase) in non-current receivables | 32 595 | 6 239 | 26 356 | Not regarded as material |
| Increase in Non-Current Investments | (21 001) | - | (21 001) | Additional investment in Municipal Entity not budgeted for. |
| Payments | | | | |
| Capital assets | (30 731 437) | (26 339 593) | (4 391 844) | Regional Bulk Infrastructure Grant expenditure to be recovered in 2013/2014 |
| NET CASH FROM/(USED) INVESTING ACTIVITIES | (30 719 844) | (26 333 354) | (4 386 490) | |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | |
| Receipts | | | | |
| Borrowing | 167 611 | - | 167 611 | Finance leases not budgeted for. |
| Increase/(decrease) in consumer deposits | 230 712 | 130 081 | 100 631 | Not regarded as material |
| Payments | | | | |
| Repayment of borrowing | (439 968) | (268 939) | (171 029) | Finance leases not budgeted for. |
| NET CASH FROM/(USED) FINANCING ACTIVITIES | (41 644) | (138 859) | 97 214 | |
| NET INCREASE/(DECREASE) IN CASH HELD | (3 155 199) | (6 496 159) | 3 340 961 | |
| Cash and Cash Equivalents at the beginning of the year | 24 562 400 | 24 562 400 | - | |
| Cash and Cash Equivalents at the end of the year | 21 407 201 | 18 066 241 | 3 340 961 | Increase as a result of unspent housing funds on 30 June 2014. June 2014 EFT's only released in July. |

CAPE AGULHAS LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2014

ADJUSTMENTS TO APPROVED BUDGET

| | 2014 R (Approved Budget) | 2014 R (Adjustments) | 2014 R (Final Budget) | Reasons for material adjustments |
|--|--------------------------------|----------------------------|-----------------------------|---|
| CASH FLOW FROM OPERATING ACTIVITIES | | | | |
| Receipts | | | | |
| Ratepayers and other | 160 312 864 | (3 154 814) | 157 158 050 | Correction of internal service charges |
| Government | 75 960 000 | (3 525 000) | 72 435 000 | Additional ad hoc allocation received |
| Interest | 2 067 588 | - | 2 067 588 | |
| Payments | | | | |
| Suppliers and Employees | (220 395 619) | 9 910 001 | (210 485 618) | Projected savings on expenditure |
| Finance charges | (277 035) | (921 931) | (1 198 966) | Adjustments necessary due to the identification of finances leases for recording. Increase in unwinding of interest on landfill site provision. |
| NET CASH FROM/(USED) OPERATING ACTIVITIES | 17 667 798 | 2 308 256 | 19 976 054 | |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Receipts | | | | |
| Decrease/(increase) in non-current receivables | 5 000 | 1 239 | 6 239 | Not regarded as material |
| Payments | | | | |
| Capital assets | (24 484 467) | (1 855 126) | (26 339 593) | Additional ad hoc allocation received |
| NET CASH FROM/(USED) INVESTING ACTIVITIES | (24 479 467) | (1 853 887) | (26 333 354) | |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | |
| Receipts | | | | |
| Increase/(decrease) in consumer deposits | 200 512 | (70 431) | 130 081 | Not regarded as material |
| Payments | | | | |
| Repayment of borrowing | (399 764) | 130 825 | (268 939) | |
| NET CASH FROM/(USED) FINANCING ACTIVITIES | (199 252) | 60 394 | (138 859) | |
| NET INCREASE/(DECREASE) IN CASH HELD | (7 010 921) | 514 762 | (6 496 159) | |
| Cash and Cash Equivalents at the beginning of the year | 16 572 374 | 7 990 026 | 24 562 400 | Cash adjustment aligned with closing actual balances on 30 June 2013. |
| Cash and Cash Equivalents at the end of the year | 9 561 453 | 8 504 788 | 18 066 241 | |
| | ===== | ===== | ===== | |

CAPE AGULHAS LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

1. ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE ANNUAL FINANCIAL STATEMENTS

1.1. BASIS OF PREPARATION

The annual financial statements have been prepared on the accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

The annual financial statements have been prepared in accordance with the Municipal Finance Management Act (MFMA) and effective standards of Generally Recognised Accounting Practices (GRAP), including any interpretations and directives issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework , have been developed in accordance with paragraphs 8,10 and 11 of GRAP 3 (Revised – March 2012) and the hierarchy approved in Directive 5 issued by the Accounting Standards Board

The municipality resolved to early adopt the following GRAP standards which have been issued but are not yet effective.

| Standard | Description | Effective Date |
|---------------------------|--------------------|-----------------------|
| GRAP 5 (Revised Feb 2013) | Borrowing Costs | 1 April 2014 |

A summary of the significant accounting policies, which have been consistently applied except where an exemption or transitional provision has been granted, are disclosed below.

Assets, liabilities, revenue and expenses have not been offset except when offsetting is permitted or required by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant notes to the Financial Statements.

In terms of Directive 7: "The Application of Deemed Cost on the Adoption of Standards of GRAP" issued by the Accounting Standards Board, the Municipality applied deemed cost to Investment Property, Property, Plant and Equipment and Intangible where the acquisition cost of an asset could not be determined.

1.2. PRESENTATION CURRENCY

Amounts reflected in the financial statements are in South African Rand and at actual values. Financial values are rounded to the nearest one Rand. No foreign exchange transactions are included in the statements.

1.3. GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on a going concern basis.

1.4. COMPARATIVE INFORMATION

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatement of comparative information. The nature and reason for the reclassification is disclosed. Where material accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.5. PRESENTATION OF BUDGET INFORMATION

The presentation of budget information is prepared in accordance with GRAP 24 and guidelines issued by National Treasury. The comparison of budget and actual amounts are disclosed as a separate additional financial statement, namely Statement of comparison of budget and actual amounts.

Budget information is presented on the accrual basis and is based on the same period as the actual amounts, i.e. 1 July 2013 to 30 June 2014. The budget information is therefore on a comparable basis to the actual amounts.

The comparable information includes the following:

- the approved and final budget amounts;
- actual amounts and final budget amounts;

Explanations for material differences between the approved and final budget are included in the Notes to the Financial Statements.

Explanations for material differences between the final budget amounts and actual amounts are included in the Notes to the Financial Statements.

The disclosure of comparative information in respect of the previous period is not required in terms of GRAP 24.

1.6. MATERIALITY

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor. In general, materiality is determined as 1% of total operating expenditure. This materiality figure is from management's perspective and does not correlate with the auditor's materiality.

1.7. STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

| Standard | Description | Effective Date |
|---|--|---|
| GRAP 6 (Revised – Nov 2010) | <p>Consolidated and Separate Financial Statements</p> <p>The objective of this Standard is to prescribe the circumstances in which consolidated and separate financial statements are to be prepared and the information to be included in those financial statements so that the consolidated financial statements reflect the financial performance, financial position and cash flows of an economic entity as a single entity.</p> <p>The municipality acquired a 100% stake in an entity in the prior year. However, due to the immaterial nature of the entity's operations and the fact that the Municipality resolved to de-register the entity on 28 May 2013, no significant impact is expected when the Standard eventually becomes effective.</p> | Unknown (Original GRAP is Effective) |
| GRAP 8 (Revised – Nov 2010) | <p>Interest in Joint Ventures</p> <p>The objective of this Standard is to prescribe the accounting treatment of jointly controlled operations, jointly controlled assets and jointly controlled entities and to provide alternatives for the recognition of interests in jointly controlled entities.</p> <p>No significant impact is expected as the Municipality is not involved in any joint ventures.</p> | Unknown (Original GRAP is Effective) |
| GRAP 18 (Original – Feb 2011) | <p>Segment Reporting</p> <p>The objective of this Standard is to establish principles for reporting financial information by segments.</p> <p>No significant impact is expected as information to a large extent is already included in the appendices to the financial statements which do not form part of the audited financial statements.</p> | 1 April 2015 |
| GRAP 20 (Original – June 2011) | <p>Related Party Disclosure</p> <p>The objective of this Standard is to ensure that a Municipality's financial statements contains the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.</p> <p>The Municipality resolved to adopt the disclosure requirements as per GRAP 20. The information is therefore included in the financial statements.</p> | Unknown |

| | | |
|--|---|---------------------|
| GRAP 32 (Original – Aug 2013) | Service Concession Arrangements: Grantor The objective of this Standard is to prescribe the accounting for service concession arrangements by the grantor and a public sector entity. No such transactions or events are expected in the foreseeable future. | Unknown |
| GRAP 100 (Revised –Feb 2013) | Discontinued Operations (formerly known as Non-current assets held for Sale and Discontinued Operations) The objective of the standard is to prescribe the treatment of discontinued operations. No significant impact expected as the municipality does not expect to have any discontinued operations in the foreseeable future. | 1 April 2014 |
| GRAP 105 (Original – Nov 2010) | Transfer of Functions Between Entities Under Common Control The objective of this Standard is to establish accounting principles for the acquirer and transferor in a transfer of functions between entities under common control. No significant impact expected as no such transactions or events are expected in the foreseeable future. | 1 April 2015 |
| GRAP 106 (Original – Nov 2010) | Transfer of Functions Between Entities Not Under Common Control The objective of this Standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control. No significant impact expected as no such transactions or events are expected in the foreseeable future. | 1 April 2015 |
| GRAP 107 (Original – Nov 2010) | Mergers The objective of this Standard is to establish accounting principles for the combined entity and combining entities in a merger. No significant impact expected as no such transactions or events are expected in the foreseeable future. | 1 April 2015 |
| GRAP 108 (Original – Sept 2013) | Statutory Receivables The objective of this Standard is to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables. | Unknown |

| | | |
|-----------------|---|----------------|
| | No significant impact is expected as the Municipality's current treatment is already in line with the Standards treatment. | |
| IGRAP 11 | <p>Consolidation - Special Purpose Entities (SPE)</p> <p>The objective of this Interpretation of the Standard is to prescribe under what circumstances an entity should consolidate a SPE.</p> <p>No significant impact is expected as the Municipality does not have any SPE's at this stage.</p> | Unknown |
| IGRAP 12 | <p>Jointly Controlled Entities non-monetary contributions</p> <p>The objective of this Interpretation of the Standard is to prescribe the treatment of profit/loss when an asset is sold or contributed by the venture to a Jointly Controlled Entity (JCE).</p> <p>No significant impact is expected as the Municipality does not have any JCE's at this stage.</p> | Unknown |

These standards, amendments and interpretations will not have a significant impact on the Municipality once implemented.

1.8. RESERVES

1.8.1 *Capital Replacement Reserve (CRR)*

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus / (deficit) to the CRR. The cash in the CRR can only be utilized to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus / (deficit) are credited by a corresponding amount when the amounts in the CRR are utilised.

The CRR must be cash backed and the Director Financial Services is delegated to determine the contribution to/from the CRR during the compilation of the annual financial statements.

1.8.2 *Housing Development Fund*

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from National and Provincial Government, used to finance housing selling schemes undertaken by the municipality, were extinguished on 1 April 1998 and transferred to the Housing Development Fund. Housing selling schemes, both completed and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sale of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing. This reserve was fully utilised in prior years.

1.8.3 *Valuation Roll Reserve*

The aim of this reserve is to ensure sufficient cash resources are available to undertake a General Valuation as per the Municipal Property Rates Act. This reserve was released to accumulated surplus in the current year.

1.9. LEASES

1.9.1 *Municipality as Lessee*

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to de-recognition of financial instruments are applied to lease payables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined expenses and actual payments made will give rise to a liability. The Municipality shall recognise the aggregate benefit of incentives as a reduction of rental expense over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

1.9.2 *Municipality as Lessor*

Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to de-recognition and impairment of financial instruments are applied to lease receivables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals is recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined revenue and actual payments received will give rise to an asset. The Municipality shall recognise the aggregate cost of incentives as a reduction of rental revenue over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern over which the benefit of the leased asset is diminished.

1.10. GOVERNMENT GRANTS AND RECEIPTS

1.10.1 *Unspent Conditional Government Grants and Receipts*

Conditional government grants are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent conditional grants are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants and subsidies.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent conditional grants are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested as individual investment or part of the general investments of the municipality until it is utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

1.10.2 *Unpaid Conditional Government Grants and Receipts*

Unpaid conditional grants are assets in terms of the Framework that are separately reflected on the Statement of Financial Position. The asset is recognised when the Municipality has an enforceable right to receive the grant or if it is virtually certain that it will be received based on that grant conditions have been met.

The following provisions are set for the creation and utilisation of the grants as receivables:

- Unpaid conditional grants are recognised as an asset when the grant is receivable.

1.11. UNSPENT PUBLIC CONTRIBUTIONS

Public contributions are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent public contributions are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent contributions from the public.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent public contributions are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested as individual investment or part of the general investments of the municipality until it is utilised.
- Interest earned on the investment is treated in accordance with the public contribution conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

1.12. PROVISIONS

Provisions are recognised when the municipality has a present legal or constructive obligation as a result of past events, it is possible that an outflow of resource embodying economic benefits or service potential will be required to settle the

obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate of future outflows of resources. Where the effect is material, non-current provisions are discounted to their present value using a discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is possible.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

- (a) The municipality has a detailed formal plan for the restructuring identifying at least:
 - the business or part of a business concerned;
 - the principal locations affected;
 - the location, function and approximate number of employees who will be compensated for terminating their services;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented.
- (b) The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

The amount recognised as a provision shall be the best estimate of the expenditure required to settle the present obligation at the reporting date.

If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision shall be de-recognised..

1.13. EMPLOYEE BENEFITS

(a) *Post-Retirement Medical Obligations*

The municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 70% as contribution and the remaining 30% is paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with GRAP 25 – Employee benefits (using a discount rate applicable to high quality government bonds). The plan is unfunded.

These contributions are charged to the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The liability was calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past (or accrued) and future in-service

element. The liability is recognised at the fair value of the obligation. Payments made by the municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions are charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically, unless circumstances change significantly in which case it is done annually, by independent qualified actuaries.

(b) Long Service Awards

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the municipality. The municipality's obligation under these plans is valued by independent qualified actuaries periodically and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation. Defined benefit plans are post-employment plans other than defined contribution plans.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions are charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically, unless circumstances change significantly in which case it is done annually, by independent qualified actuaries.

(c) Accrued Leave Pay

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year end and also on the total remuneration package of the employee.

Accumulating leave is carried forward and can be used in future periods if the current period's entitlement is not used in full. All unused leave will be paid out to the specific employee at the end of that employee's employment term.

Accumulated leave is vesting.

(d) Performance Bonuses

A provision, in respect of the liability relating to the anticipated costs of performance bonuses payable to Section 57 employees, is maintained. Municipal entities' performance bonus provisions are based on the employment contract stipulations as well as previous performance bonus payment trends.

(e) Pension and Retirement Fund Obligations

The municipality provides retirement benefits for its employees and councillors. Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year they become payable. Defined benefit plans are post-employment benefit plans other than defined contribution plans. The defined benefit funds, which are administered on a provincial basis, are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or

increased future contributions on a proportional basis to all participating municipalities. The contributions and lump sum payments are charged against income in the year they become payable. Sufficient information is not available to use defined benefit accounting for a multi-employer plan. As a result, defined benefit plans have been accounted for as if they were defined contribution plans.

(f) Staff Bonuses

Liabilities for staff bonuses are recognised as they accrue to employees. The liability at year end is based on bonus accrued at year-end for each employee.

(g) Other Short-term Employee Benefits

When an employee has rendered service to the entity during a reporting period, the entity recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

1.14. BORROWING COSTS

The Municipality recognises all borrowing costs as an expense in the period in which they are incurred.

1.15. PROPERTY, PLANT AND EQUIPMENT

1.15.1 Initial Recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. The cost of an item of property, plant and equipment shall be recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the entity, and the cost or fair value of the item can be measured reliably. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-

monetary assets, the assets acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

1.15.2 Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

1.15.3 Depreciation and Impairment

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual depreciation rates are based on the following estimated useful lives:

| | Years | | Years |
|-------------------------|--------------|------------------------|--------------|
| Infrastructure | | Other | |
| Streets and Stormwater | 8 – 100 | Buildings | 100 |
| Solid Waste | 10 – 64 | Specialist vehicles | 12-30 |
| Electricity | 10 - 64 | Other vehicles | 10-15 |
| Water | 12 - 102 | Office equipment | 2-30 |
| Sewerage and sanitation | 13 - 89 | Furniture and fittings | 10-30 |
| | | Tools and equipment | 5 - 30 |
| | | Equipment | 5-50 |
| | | Tables | 10 - 30 |
| Community | | Chairs | 10-30 |
| Recreational Facilities | 5-50 | Computer equipment | 10 |
| Clinics | 100 | Landfill Sites | 9 – 68 |
| Halls | 10 – 100 | | |
| Libraries | 10-100 | | |
| Parks and gardens | 30 | | |
| Sport Facilities | 10-100 | | |

Finance lease assets

| | |
|------------------|-------|
| Office equipment | 3 – 5 |
| Vehicles | 5 |

Property, plant and equipment are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment charged to the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of impairment is recognised in the Statement of Financial Performance.

1.15.5 De-recognition

Items of property, plant and equipment are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.16. INTANGIBLE ASSETS

1.16.1 Initial Recognition

An intangible asset is an identifiable non-monetary asset without physical substance.

An asset meets the identifiability criterion in the definition of an intangible asset when it:

- is separable, i.e. is capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; or
- arises from contractual rights (including rights arising from binding arrangements) or other legal rights (excluding rights granted by statute), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the municipality has the resources to complete the project; and
- it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, the deemed cost is the carrying amount of the asset(s) given up.

1.16.2 Subsequent Measurement – Cost Model

Intangible assets are subsequently carried at cost less accumulated amortisation and any accumulated impairment losses. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

1.16.3 Amortisation and Impairment

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. Amortisation of an asset begins when it is available for use, i.e. when it is in the condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are amortised separately. The estimated useful lives, residual values and amortisation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual amortisation rates are based on the following estimated useful lives:

| Intangible Assets | Years |
|----------------------------|--------------|
| Computer Software | 5 |
| Computer Software Licenses | 5 |

1.16.4 De-recognition

Intangible assets are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.17. INVESTMENT PROPERTY

1.17.1 Initial Recognition

Investment property shall be recognised as an asset when, and only when:

- it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the entity, and
- the cost or fair value of the investment property can be measured reliably.

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations. Property with a currently undetermined use, is also classified as investment property.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition. The cost of self-constructed investment property is measured at cost.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the municipality

accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

1.17.2 Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of investment property are measured at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

1.17.3 Depreciation and Impairment – Cost Model

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

| <u>Investment Property</u> | Years |
|-----------------------------------|--------------|
| Buildings | 100 |
| Land | Indefinite |

1.17.4 De-recognition

Investment property is derecognised when it is disposed of or when there are no further economic benefits expected from the use of the investment property. The gain or loss arising on the disposal or retirement of an item of investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.18. NON-CURRENT ASSETS HELD FOR SALE

1.18.1 Initial Recognition

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

1.18.2 Subsequent Measurement

Non-current assets held for sale (or disposal group) are measured at the lower of carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

1.19. IMPAIRMENT OF NON-FINANCIAL ASSETS

1.19.1 *Cash-generating assets*

Cash-generating assets are assets held with the primary objective of generating a commercial return.

The municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the municipality estimates the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. Impairment losses are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the municipality estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Financial Performance.

1.19.2 *Non-cash-generating assets*

Non-cash-generating assets are assets other than cash-generating assets.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable service amount.

An asset's recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss recorded in the Statement of Financial Performance.

The value in use of a non-cash-generating asset is the present value of the asset's remaining service potential. The present value of the remaining service potential of the asset is determined using any one of the following approaches:

- *depreciated replacement cost approach* - the present value of the remaining service potential of an asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's

gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

- *restoration cost approach* - the cost of restoring the service potential of an asset to its pre-impaired level. Under this approach, the present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is usually determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.
- *service unit approach* - the present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform to the reduced number of service units expected from the asset in its impaired state. As in the restoration cost approach, the current cost of replacing the remaining service potential of the asset before impairment is usually determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

The Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for an asset may no longer exist or may have decreased. If any such indication exists, the Municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for an asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset is increased to its recoverable service amount. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods. Such a reversal of an impairment loss is recognised in the Statement of Financial Performance.

1.20. NON CURRENT INVESTMENTS

Financial instruments, which include, investments in municipal entities and fixed deposits invested in registered commercial banks, are stated at amortised cost.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

The carrying amounts of such investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments.

1.21. INVENTORIES

1.21.1 *Initial Recognition*

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories shall be recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the entity, and the cost of the inventories can be measured reliably. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

1.21.2 *Subsequent Measurement*

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

In general, the basis of allocating cost to inventory items is the weighted average method.

Water inventory is measured annually at the reporting date by way of dip readings and the calculated volume in the distribution network. Water inventory is recognised at cost.

Cost of land held for sale is assigned by using specific identification of their individual costs

1.22. FINANCIAL INSTRUMENTS

Financial instruments recognised on the Statement of Financial Position include receivables (both from exchange transactions and non-exchange transactions), cash and cash equivalents, annuity loans and payables (both from exchange transactions and non-exchange transactions).

1.22.1 *Initial Recognition*

Financial instruments are initially recognised when the municipality becomes a party to the contractual provisions of the instrument at fair value plus, in the case of a financial asset or financial liability not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability

1.22.2 Subsequent Measurement

Financial Assets are categorised according to their nature as either financial assets at fair value, financial assets at amortised cost or financial assets at cost. , Financial Liabilities are categorised as either at fair value, financial liabilities at cost or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation.

1.22.2.1 Receivables

Receivables are classified as loans and receivables, and are subsequently measured at amortised cost using the effective interest rate method.

For amounts due from debtors carried at amortised cost, the Municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Objective evidence of impairment includes significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue). If the Municipality determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Financial Performance. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the municipality. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the Statement of Financial Performance.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate, if material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

1.22.2.2 Payables and Annuity Loans

Financial liabilities consist of payables and annuity loans. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

1.22.2.3 Cash and Cash Equivalents

Cash includes cash on hand (including petty cash) and cash with banks. Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, highly liquid deposits and net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets carried at amortised cost.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

1.22.2.4 Non-Current Investments

Investments which include investments in municipal entities and fixed deposits invested in registered commercial banks, are stated at amortised cost.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the Statement of Financial Performance in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is recognised in the Statement of Financial Performance.

The carrying amounts of such investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments

1.22.3 *De-recognition of Financial Instruments*

1.22.3.1 Financial Assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the municipality has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the municipality has transferred substantially all the risks and rewards of the asset, or (b) the municipality has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the municipality has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the old asset is derecognised and a new asset is recognised to the extent of the municipality's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the municipality could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the municipality's continuing involvement is the amount of the transferred asset that the municipality may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at

fair value, the extent of the municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

1.22.3.2 Financial Liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Financial Performance.

1.22.4 *Offsetting of Financial Instruments*

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

1.23. REVENUE

1.23.1 *Revenue from Non-Exchange Transactions*

Revenue from non-exchange transactions refers to transactions where the municipality received revenue without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. At the time of initial recognition the full amount of revenue is recognised. If the Municipality does not enforce its obligation to collect the revenue, is a subsequent event. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis as an exchange transaction.

Fine revenue constitutes both spot fines and summonses. Fine revenue is recognised when the spot fine or summons are issued. In cases where fines and summonses are issued by another government institute, revenue will only be recognised when monies are received, as the Municipality does not have any control over fines issued by other government institutes.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, it is recognised as an unspent public contribution (liability).

Revenue from third parties i.e. insurance payments for assets impaired, are recognised when it can be measured reliably and is not being offset against the related expenses of repairs or renewals of the impaired assets.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

After a period of twelve months all unclaimed deposits into the municipality's bank account will be treated as revenue as historical patterns have indicated that minimal unidentified deposits are reclaimed after a period of twelve months. This assessment is performed annually at 30 June. Therefore the substance of these transactions indicate that even though the prescription period for unclaimed monies is legally three years, it is reasonable to recognise all unclaimed monies older than twelve months as revenue.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof is virtually certain.

Revenue is measured at the fair value of the consideration received or receivable.

When, as a result of a non-exchange transaction, a municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the present obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability will be recognised as revenue.

1.23.2 Revenue from Exchange Transactions

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered/ goods sold, the value of which approximates the consideration received or receivable. At the time of initial recognition the full amount of revenue is recognised. If the Municipality does not enforce its obligation to collect the revenue, is a subsequent event.

Service charges relating to electricity and water are based on consumption and a basic charge as per Council resolution. Meters are read on a monthly basis and are recognised as revenue when invoiced. Where the Municipality was unable to take the actual month's reading of certain consumers, a provisional estimate of consumption for that month will be created. . The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale. An adjustment is made at year-end for unused units.

Service charges relating to refuse removal are recognised on an annual basis in advance by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage.

Service charges from sanitation (sewerage) are recognised on an annual basis in advance by applying the approved tariff to each property that has improvements.

Interest revenue is recognised using the effective interest rate method.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods are passed to the consumer.

Revenue arising out of situations where the Municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

The amount of revenue arising on a transaction is usually determined by agreement between the entity and the purchaser or user of the asset or service. It is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the entity.

In most cases, the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. However, when the inflow of cash or cash equivalents is deferred, the fair value of the consideration may be less than the nominal amount of cash received or receivable. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:

- The prevailing rate for a similar instrument of an issuer with a similar credit rating; or
- A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

When goods or services are exchanged or swapped for goods or services which are of a similar nature and value, the exchange is not regarded as a transaction that generates revenue. When goods are sold or services are rendered in exchange for dissimilar goods or services, the exchange is regarded as a transaction that generates revenue. The revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred. When the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

1.24. RELATED PARTIES

The Municipality resolved to adopt the disclosure requirements as per GRAP 20 – “Related Party Disclosures”.

A related party is a person or an entity:

- with the ability to control or jointly control the other party,

- or exercise significant influence over the other party, or vice versa,
- or an entity that is subject to common control, or joint control.

The following are regarded as related parties of the Municipality:

- (a) A person or a close member of that person's family is related to the Municipality if that person:
 - has control or joint control over the Municipality.
 - has significant influence over the Municipality. Significant influence is the power to participate in the financial and operating policy decisions of the Municipality.
 - is a member of the management of the Municipality or its controlling entity.
- (b) An entity is related to the Municipality if any of the following conditions apply:
 - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others).
 - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member).
 - both entities are joint ventures of the same third party.
 - one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - the entity is a post-employment benefit plan for the benefit of employees of either the Municipality or an entity related to the Municipality. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity.
 - the entity is controlled or jointly controlled by a person identified in (a).
 - a person identified in (a) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by that person in their dealings with the Municipality. A person is considered to be a close member of the family of another person if they:

- (a) are married or live together in a relationship similar to a marriage; or
- (b) are separated by no more than two degrees of natural or legal consanguinity or affinity.

Management (formerly known as "Key Management") includes all persons having the authority and responsibility for planning, directing and controlling the activities of the Municipality, including:

- (a) all members of the governing body of the Municipality;
- (b) a member of the governing body of an economic entity who has the authority and responsibility for planning, directing and controlling the activities of the Municipality;
- (c) any key advisors of a member, or sub-committees, of the governing body who has the authority and responsibility for planning, directing and controlling the activities of the Municipality; and
- (d) the senior management team of the Municipality, including the chief executive officer or permanent head of the Municipality, unless already included in (a).

Management personnel include:

- (a) All directors or members of the governing body of the Municipality, being the Executive Mayor, Deputy Mayor, Speaker and members of the Mayoral Committee.
- (b) Other persons having the authority and responsibility for planning, directing and controlling the activities of the reporting Municipality being the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

Remuneration of management includes remuneration derived for services provided to the Municipality in their capacity as members of the management team or employees. Benefits derived directly or indirectly from the Municipality for services in any capacity other than as an employee or a member of management do not meet the definition of remuneration. Remuneration of management excludes any consideration provided solely as a reimbursement for expenditure incurred by those persons for the benefit of the Municipality.

The Municipality operates in an economic environment currently dominated by entities directly or indirectly owned by the South African government. As a result of the Constitutional independence of all three spheres of government in South Africa, only parties within the same sphere of government will be considered to be related parties. Only transactions with such parties which are not at arm's length and not on normal commercial terms are disclosed.

1.25. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted or is expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state, or is expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.25. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act, and (Act. No. 20 of 1998) or is in contravention of the municipality's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.23. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.27. CONTINGENT LIABILITIES

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. A contingent liability could also be a present obligation that arises from past events, but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Management judgement is required when recognising and measuring contingent liabilities.

1.28. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In the process of applying the municipality's accounting policy, management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements:

Post-Retirement Medical Obligations and Long Service Awards

The cost of post-retirement medical obligations, long service awards and ex-gratia gratuities are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

Impairment of Receivables

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

Property, Plant and Equipment

The useful lives of property, plant and equipment are based on management's estimation. Infrastructure's useful lives are based on technical estimates of the practical useful lives for the different infrastructure types, given engineering technical knowledge of the infrastructure types and service requirements. For other assets and buildings management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and residual values of Property, Plant and Equipment.

- The useful life of movable assets was determined using the age of similar assets available for sale in the active market. Discussions with people within the specific industry were also held to determine useful lives.
- Local Government Industry Guides was used to assist with the deemed cost and useful life of infrastructure assets.
- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings. The Municipality also consulted with engineers to support

the useful life of buildings, with specific reference to the structural design of buildings.

For deemed cost applied to other assets as per adoption of Directive 7, management used the depreciation cost method which was based on assumptions about the remaining duration of the assets.

The cost for depreciated replacement cost was determined by using either one of the following:

- cost of items with a similar nature currently in the Municipality's asset register;
- cost of items with a similar nature in other municipalities' asset registers, given that the other municipality has the same geographical setting as the Municipality and that the other municipality's asset register is considered to be accurate;
- cost as supplied by suppliers.

Intangible Assets

The useful lives of intangible assets are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate.

Management referred to the following when making assumptions regarding useful lives of intangible assets:

- Reference was made to intangibles used within the Municipality and other municipalities to determine the useful life of the assets.

Investment Property

The useful lives of investment property are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their economic lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and valuation of investment property:

- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings.
- The Municipality also consulted with professional engineers and qualified valuators to support the useful life of buildings.

Provisions and Contingent liabilities

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the effect of discounting is material using actuarial valuations.

Revenue Recognition

Accounting Policy 1.23.1 on Revenue from Non-Exchange Transactions and Accounting Policy 1.23.2 on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by management of the

municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-Exchange Transactions.). Specifically, whether the municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been performed. Revenue from the issuing of spot fines and summonses has been recognised on the accrual basis using estimates of future collections based on the actual results of prior periods. The management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

Provision for Landfill Sites

The provision for rehabilitation of the landfill site is recognised as and when the environmental liability arises. The provision is calculated by a qualified environmental engineer. The provision represents the net present value of the expected future cash flows to rehabilitate the landfill site at year end. To the extent that the obligations relate to an asset, it is capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are charged to the Statement of Financial Performance.

Management referred to the following when making assumptions regarding provisions:

- Professional engineers were utilised to determine the cost of rehabilitation of landfill sites as well as the remaining useful life of each specific landfill site.
- Interest rates (investment rate) linked to prime was used to calculate the effect of time value of money.

Provision for Performance bonuses

The provision for performance bonuses represents the best estimate of the obligation at year end and is based on historic patterns of payment of performance bonuses. Performance bonuses are subject to an evaluation by council.

Provision for Staff leave

Staff leave is accrued to employees according to collective agreements. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave. There is no possibility of reimbursement.

Pre-paid electricity estimation

Pre-paid electricity is only recognised as income once the electricity is consumed. The pre-paid electricity balance (included under payables) represents the best estimate of electricity sold at year end that is still unused. The average pre-paid electricity sold per day during the year under review is used and the estimate is calculated using between 5 and 10 days' worth of unused electricity.

Componentisation of infrastructure assets

All infrastructure assets are unbundled into their significant components in order to depreciate all major components over the expected useful lives. The cost of each component is estimated based on the current market price of each component, depreciated for age and condition and recalculated to cost at the acquisition date if known or to the date of initially adopting the standards of GRAP.

1.29. TAXES – VALUE ADDED TAX

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

1.30. CAPITAL COMMITMENTS

Capital commitments disclosed in the financial statements represents the balance committed to capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date.

1.31. AMENDED DISCLOSURE POLICY

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements. The principal amendments to matters disclosed in the current financial statements include fundamental errors, and the treatment of assets financed by external grants.

CAPE AGULHAS LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

| | 2014 R | 2013 R |
|--|--------------------|--------------------------|
| 2 NET ASSET RESERVES | | |
| RESERVES | | |
| Capital Replacement Reserve | 291 834 632 | 284 469 297 |
| Valuation Roll Reserve | 15 750 000 | 16 500 000 |
| Accumulated Surplus | - | 2 000 000 |
| Total Net Asset Reserve and Liabilities | 276 084 632 | 265 969 297 |
| | 291 834 632 | 284 469 297 |
| 3 LONG TERM LIABILITIES | | |
| Annuity Loans - At amortised cost | 559 910 | 698 721 |
| Capitalised Lease Liability - At amortised cost | 247 421 | 380 967 |
| Balance previously reported | 367 130 | |
| Correction of error - Refer to note 38.01 | 13 837 | |
| | 807 331 | 1 079 687 |
| Less: Current Portion transferred to Current Liabilities | 303 785 | 423 546 |
| Annuity Loans - At amortised cost | 160 467 | 138 864 |
| Capitalised Lease Liability - At amortised cost | 143 318 | 284 682 |
| Balance previously reported | 275 098 | |
| Correction of error - Refer to note 38.01 | 9 584 | |
| Total Long-term Liabilities - At amortised cost using the effective interest rate method | 503 546 | 656 142 |
| | 503 546 | 656 142 |
| Annuity loans at amortised cost is calculated at 15.00% interest rate a maturity date of 30 June 2017. | | |
| The obligations under annuity loans are scheduled below: | | |
| Amounts payable under annuity loans: | | Minimum annuity payments |
| Payable within one year | 238 724 | 238 724 |
| Payable within two to five years | 477 180 | 715 942 |
| | 715 904 | 954 666 |
| Less: Future finance obligations | (155 994) | (255 946) |
| Present value of annuity obligations | 559 910 | 698 721 |
| | 559 910 | 698 721 |
| The obligations under finance leases are scheduled below: | | Minimum lease payments |
| Amounts payable under finance leases: | | |
| Payable within one year | 157 571 | 307 272 |
| Payable within two to five years | 112 152 | 99 163 |
| | 269 723 | 406 434 |
| Less: Future finance obligations | (22 302) | (25 467) |
| Present value of lease obligations | 247 421 | 380 967 |
| | 247 421 | 380 967 |
| Leases are secured by property, plant and equipment - Note 12 | | |
| 4 EMPLOYEE BENEFITS | | |
| Post Retirement Benefits - Refer to Note 4.2 | 31 880 012 | 26 574 560 |
| Long Service Awards - Refer to Note 4.3 | 4 682 449 | 3 799 086 |
| Total Non-current Employee Benefit Liabilities | 36 562 461 | 30 373 646 |
| | 36 562 461 | 30 373 646 |
| <u>Post Retirement Benefits</u> | | |
| Balance 1 July | 27 264 704 | 23 046 325 |
| Contribution for the year | 3 817 731 | 3 204 815 |
| Expenditure for the year | (718 854) | (646 958) |
| Actuarial Loss | 2 273 367 | 1 660 522 |
| Total post retirement benefits 30 June | 32 636 948 | 27 264 704 |
| Less: Transfer of Current Portion - Note 7 | (756 936) | (690 144) |
| Balance 30 June | 31 880 012 | 26 574 560 |
| | 31 880 012 | 26 574 560 |

CAPE AGULHAS LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

| | 2014 R | 2013 R |
|---|------------------|------------------|
| <u>Long Service Awards</u> | | |
| Balance 1 July | 4 074 905 | 3 324 864 |
| Contribution for the year | 669 006 | 658 861 |
| Expenditure for the year | (230 626) | (270 322) |
| Actuarial Loss/(Gain) | 500 295 | 361 502 |
| Total long service 30 June | 5 013 580 | 4 074 905 |
| Less: Transfer of Current Portion - Note 7 | (331 131) | (275 819) |
| Balance 30 June | 4 682 449 | 3 799 086 |

TOTAL NON-CURRENT EMPLOYEE BENEFITS

| | | |
|---|--------------------|-------------------|
| Balance 1 July | 31 339 609 | 26 371 189 |
| Contribution for the year | 4 486 737 | 3 863 676 |
| Expenditure for the year | (949 480) | (917 280) |
| Actuarial Loss/(Gain) | 2 773 662 | 2 022 024 |
| Total employee benefits 30 June | 37 650 528 | 31 339 609 |
| Less: Transfer of Current Portion - Note 7 | (1 088 067) | (965 963) |
| Balance 30 June | 36 562 461 | 30 373 646 |

4.1 Retirement funds

The Municipality requested detailed employee and pensioner information as well as information on the Municipality's share of the Pension and Retirement Funds' assets from the fund administrator. The fund administrator confirmed that assets of the Pension and Retirement Funds are not split per participating employer. Therefore, the Municipality is unable to determine the value of the plan assets as defined in GRAP 25.

As part of the Municipality's process to value the defined benefit liabilities, the Municipality requested pensioner data from the fund administrator. The fund administrator claim that the pensioner data to be confidential and were not willing to share the information with the Municipality. Without detailed pensioner data the Municipality was unable to calculate a reliable estimate of the accrued liability in respect of pensioners who qualify for a defined benefit pension.

Therefore, although the Cape Joint Retirement Fund is a Multi Employer fund defined as defined benefit plan, it will be accounted for as defined contribution plan. All the required disclosure has been made as defined in GRAP 25.31.

CAPE JOINT PENSION FUND

The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2013 revealed that the fund is in a sound financial position with a funding level of 99.70% (30 June 2012 - 99.40%).

| | | |
|---|---------|--------|
| Contributions paid recognised in the Statement of Financial Performance | 116 197 | 56 128 |
|---|---------|--------|

CAPE RETIREMENT FUND

The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2013 revealed that the fund is in a sound financial position with a funding level of 105.1% (30 June 2012 - 108.0%).

| | | |
|---|-----------|-----------|
| Contributions paid recognised in the Statement of Financial Performance | 5 915 234 | 5 206 002 |
|---|-----------|-----------|

DEFINED CONTRIBUTION FUNDS

Council contribute to the Municipal Council Pension Fund and SAMWU National Provident Fund which are defined contribution funds. The retirement benefit fund is subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid. Current contributions by Council are charged against expenditure on the basis of current service costs.

Contributions paid recognised in the Statement of Financial Performance

| | | |
|------------------------------------|------------------|------------------|
| Municipal Councillors Pension Fund | 256 397 | 242 553 |
| SAMWU National Provident Fund | 833 419 | 807 876 |
| | 1 089 816 | 1 050 429 |

CAPE AGULHAS LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

| | 2014 R | 2013 R |
|--|------------|------------|
| 4.2 Post Retirement Benefits | | |
| The Post Retirement Benefit Plan is a defined benefit plan, of which the members are made up as follows: | | |
| In-service (employee) members | 94 | 92 |
| In-service (employee) non-members | 196 | 194 |
| Continuation members (e.g. Retirees, widows, orphans) | 23 | 23 |
| Total Members | 313 | 309 |

The liability in respect of past service has been estimated to be as follows:

| | | |
|------------------------|-------------------|-------------------|
| In-service members | 20 294 416 | 16 097 224 |
| Continuation members | 12 342 532 | 11 167 480 |
| Total Liability | 32 636 948 | 27 264 704 |

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

| | 2012 R | 2011 R | 2010 R |
|------------------------|-------------------|-------------------|-------------------|
| Total Liability | 23 046 325 | 20 733 698 | 16 704 011 |

Experience adjustments were calculated as follows:

| | 2014 R m | 2013 R m | 2011 R m |
|----------------------------|-------------|-------------|-------------|
| Liabilities: (Gain) / loss | (0.085) | 0.878 | 0.544 |
| Assets: Gain / (loss) | - | - | - |

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

Bonitas;
LA Health
Hosmed
Samwumed; and
Keyhealth.

The Future-service Cost for the ensuing year is estimated to be R 1 681 639, whereas the Interest- Cost for the next year is estimated to be R 2 970 825.

| | 2014 % | 2013 % |
|---------------------------------|-----------|-----------|
| Key actuarial assumptions used: | | |

i) Rate of interest

| | | |
|---------------------------------|-------|-------|
| Discount rate | 9.21% | 8.99% |
| Health Care Cost Inflation Rate | 8.34% | 7.72% |
| Net Effective Discount Rate | 0.80% | 1.18% |

The discount rate used is a composite of all government bonds and is calculated using a technique known as "bootstrapping"

ii) Mortality rates

The PA 90 ultimate table, rated down by 1 year of age was used by the actuaries.

iii) Normal retirement age

It has been assumed that in-service members will retire at age 65, which then implicitly allows for expected rates of early and ill-health retirement.

iv) Valuation reports

The last valuation was performed on 22 July 2014.

| | 2014 R | 2013 R |
|--|-------------------|-------------------|
| The amounts recognised in the Statement of Financial Position are as follows: | | |
| Present value of fund obligations | 32 636 948 | 27 264 704 |
| Net liability | 32 636 948 | 27 264 704 |

The liability is unfunded.

CAPE AGULHAS LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

| | 2014 R | 2013 R |
|---|-------------------|-------------------|
| Reconciliation of present value of fund obligation: | | |
| Present value of fund obligation at the beginning of the year | 27 264 704 | 23 046 325 |
| Total expenses | 3 098 877 | 2 557 857 |
| Current service cost | 1 396 352 | 1 220 237 |
| Interest Cost | 2 421 379 | 1 984 578 |
| Benefits Paid | (718 854) | (646 958) |
| Actuarial losses | 2 273 367 | 1 660 522 |
| Present value of fund obligation at the end of the year | 32 636 948 | 27 264 704 |
| Less: Transfer of Current Portion - Note 7 | (756 936) | (690 144) |
| Balance 30 June | 31 880 012 | 26 574 560 |

Sensitivity Analysis on the Accrued Liability

| Assumption | Central Assumptions | In-service members liability (Rm) | Continuation members liability (Rm) | Total liability (Rm) | % change |
|------------|---------------------|--|---|-------------------------|----------|
| | | 20.294 | 12.343 | 32.637 | |

The effect of movements in the assumptions are as follows:

| Assumption | Change | In-service members liability (Rm) | Continuation members liability (Rm) | Total liability (Rm) | % change |
|--|---------|--|---|-------------------------|----------|
| | | 25.619 | 13.816 | 39.435 | |
| Health care inflation | 1% | 16.200 | 11.084 | 27.285 | -16% |
| Discount rate | 1% | 16.260 | 11.103 | 27.363 | -16% |
| Discount rate | -1% | 25.629 | 13.819 | 39.448 | -21% |
| Post-retirement mortality | -1 year | 21.072 | 12.808 | 33.880 | 4% |
| Average retirement age | -1 year | 22.207 | 12.343 | 34.550 | 6% |
| Continuation of membership at retirement | -10% | 17.976 | 12.343 | 30.318 | -7% |

| Assumption | Change | Current-service Cost (R m) | Interest Cost (R m) | Total (R m) | % change |
|------------|--------|----------------------------------|------------------------|----------------|----------|
| | | 1.396 | 2.421 | 3.818 | |

The effect of movements in the assumptions are as follows:

| | | | | | |
|---------------------------|---------|-------|-------|-------|------|
| Health care inflation | 1% | 1.763 | 2.902 | 4.666 | 22% |
| Health care inflation | -1% | 1.116 | 2.040 | 3.156 | -17% |
| Post-retirement mortality | -1 year | 1.447 | 2.510 | 3.957 | 4% |
| Average retirement age | -1 year | 1.446 | 2.560 | 4.006 | 5% |
| Withdrawal Rate | -50% | 1.611 | 2.594 | 4.205 | 10% |

4.3 Long Service Bonuses

The Long Service Bonus plans are defined benefit plans. As at year end, 290 (2013 - 281) employees were eligible for Long Service Bonuses.

The Future-service Cost for the ensuing year is estimated to be R 376 150, whereas the Interest cost for the next year is estimated to be R 401 580.

| | 2014 % | 2013 % |
|--|-----------|-----------|
|--|-----------|-----------|

Key actuarial assumptions used:

i) **Rate of interest**

| | | |
|--|-------|-------|
| Discount rate | 8.28% | 7.69% |
| General Salary Inflation (long-term) | 7.30% | 6.87% |
| Net Effective Discount Rate applied to salary-related Long Service Bonuses | 0.91% | 0.76% |

The discount rate used is a composite of all government bonds and is calculated using a technique known as "bootstrapping"

ii) **Valuation reports**

The last valuation was preformed on 22 July 2014.

The amounts recognised in the Statement of Financial Position are as follows:

| | 2014 R | 2013 R |
|-----------------------------------|------------------|------------------|
| Present value of fund obligations | 5 013 580 | 4 074 905 |
| Net liability | 5 013 580 | 4 074 905 |

The liability is unfunded.

CAPE AGULHAS LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

| | 2012 R | 2011 R | 2010 R |
|------------------------|------------------|------------------|------------------|
| Total Liability | 3 324 864 | 2 983 946 | 2 288 169 |

Experience adjustments were calculated as follows:

| | 2014 R | 2013 R | 2011 R |
|--|-----------|-----------|-----------|
|--|-----------|-----------|-----------|

| | | | |
|----------------------------|---------|---------|---------|
| Liabilities: (Gain) / loss | 624 617 | 116 176 | 128 794 |
| Assets: Gain / (loss) | - | - | - |

| | 2014 R | 2013 R |
|--|-----------|-----------|
|--|-----------|-----------|

Reconciliation of present value of fund obligation:

| | | |
|---|------------------|------------------|
| Present value of fund obligation at the beginning of the year | 4 074 905 | 3 324 864 |
| Total expenses | 438 380 | 388 539 |
| Current service cost | 366 131 | 406 541 |
| Interest Cost | 302 875 | 252 320 |
| Benefits Paid | (230 626) | (270 322) |
| Actuarial losses | 500 295 | 361 502 |
| Present value of fund obligation at the end of the year | 5 013 580 | 4 074 905 |
| Less: Transfer of Current Portion - Note 7 | (331 131) | (275 819) |
| Balance 30 June | 4 682 449 | 3 799 086 |

Sensitivity Analysis on the Unfunded Accrued Liability

| Assumption | Change | Liability (Rm) | % change |
|---------------------|--------|-------------------|----------|
| Central assumptions | | 5.014 | |

The effect of movements in the assumptions are as follows:

| | | | |
|--------------------------|--------|-------|------|
| General salary inflation | 1% | 5.450 | 9% |
| General salary inflation | -1% | 4.626 | -8% |
| Discount Rate | 1% | 4.611 | -8% |
| Discount Rate | -1% | 4.476 | 9% |
| Average retirement age | -2 yrs | 4.402 | -12% |
| Average retirement age | 2 yrs | 5.549 | 11% |
| Withdrawal rates | -50% | 5.983 | 19% |

| Assumption | Change | Current-service Cost (Rm) | Interest Cost (Rm) | Total (Rm) | % change |
|--------------------|--------|---------------------------------|-----------------------|---------------|----------|
| Central Assumption | | 0.366 | 0.303 | 0.669 | |

The effect of movements in the assumptions are as follows:

| | | | | | |
|--------------------------|---------|-------|-------|-------|------|
| General salary inflation | 1% | 0.405 | 0.331 | 0.736 | 10% |
| General salary inflation | -1% | 0.333 | 0.278 | 0.611 | -9% |
| Average retirement age | -1 year | 0.329 | 0.268 | 0.596 | -11% |
| Average retirement age | -1 year | 0.400 | 0.336 | 0.736 | 10% |
| Withdrawal rates | -50% | 0.478 | 0.366 | 0.844 | 26% |

| | 2014 R | 2013 R |
|--|-----------|-----------|
|--|-----------|-----------|

5

NON-CURRENT PROVISIONS

| | | |
|--|-------------------|-------------------|
| Provision for Rehabilitation of Landfill-sites | 21 325 455 | 21 237 284 |
|--|-------------------|-------------------|

Landfill Sites

| | | |
|----------------------------------|------------|------------|
| Balance 1 July | 21 547 795 | 11 048 936 |
| Increase in Estimate | 1 476 364 | 9 998 781 |
| Unwinding of discounted interest | 1 014 517 | 500 078 |

| | | |
|--------------------------------|-------------------|-------------------|
| Total provision 30 June | 24 038 676 | 21 547 795 |
|--------------------------------|-------------------|-------------------|

| | | |
|---|-------------|-----------|
| Less: Transfer of Current Portion to Current Provisions - Note 8 | (2 713 221) | (310 511) |
|---|-------------|-----------|

| | | |
|------------------------|-------------------|-------------------|
| Balance 30 June | 21 325 455 | 21 237 284 |
|------------------------|-------------------|-------------------|

The municipality has an obligation to rehabilitate the following landfill sites at the end of the expected useful life of the asset. Details of the sites are as follows:

CAPE AGULHAS LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

| | | 2014 R | 2013 R |
|--|------------------------------------|-------------------|-------------------|
| <u>Location</u> | <u>Estimated decommission date</u> | | |
| Bredasdorp | 2066 | 10 350 681 | 9 851 875 |
| Napier | 2055 | 3 029 578 | 3 200 366 |
| Waenhuiskrans | 2055 | 2 324 116 | 2 516 563 |
| Struisbaai | 2055 | 5 621 080 | 5 668 479 |
| L'Agulhas | 2009 (Over due) | 2 713 221 | 310 511 |
| | | <u>24 038 676</u> | <u>21 547 795</u> |
| 6 CONSUMER DEPOSITS | | | |
| Electricity | | 2 304 568 | 2 161 057 |
| Water | | 1 338 441 | 1 251 239 |
| Total Consumer Deposits | | <u>3 643 008</u> | <u>3 412 296</u> |
| Guarantees held in lieu of Electricity and Water Deposits | | <u>-</u> | <u>-</u> |

The fair value of consumer deposits approximate their carrying value. Interest is not paid on these amounts.

| | | 2014 R | 2013 R |
|--|--|------------------|------------------|
| 7 CURRENT EMPLOYEE BENEFITS | | | |
| Current Portion of Post Retirement Benefits - Note 4 | | 756 936 | 690 144 |
| Current Portion of Long-Service Provisions - Note 4 | | 331 131 | 275 819 |
| Performance Bonuses | | 535 746 | 583 089 |
| Staff Leave | | 3 518 532 | 3 953 031 |
| Bonuses | | 1 628 061 | 1 441 738 |
| Balance previously reported | | | - |
| Correction of error - Refer to note 38.06 | | | 1 441 738 |
| Pension | | 187 261 | 183 779 |
| Balance previously reported | | | - |
| Correction of error - Refer to note 38.06 | | | 183 779 |
| Total Current Employee Benefits | | <u>6 957 667</u> | <u>7 127 600</u> |

The movement in current employee benefits are reconciled as follows:

Performance Bonuses

| | | | |
|---------------------------------|--|----------------|----------------|
| Balance at beginning of year | | 583 089 | 544 751 |
| Contribution to current portion | | 380 261 | 561 299 |
| Expenditure incurred | | (427 604) | (522 961) |
| Balance at end of year | | <u>535 746</u> | <u>583 089</u> |

Performance bonuses are being paid to Municipal Manager and Directors after an evaluation of performance by the council. There is no possibility of reimbursement.

Staff Leave

| | | | |
|---------------------------------|--|------------------|------------------|
| Balance at beginning of year | | 3 953 031 | 2 960 094 |
| Contribution to current portion | | 79 052 | 1 391 434 |
| Expenditure incurred | | (513 551) | (398 497) |
| Balance at end of year | | <u>3 518 532</u> | <u>3 953 031</u> |

Staff leave accrued to employees according to collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave. There is no possibility of reimbursement.

Bonuses

| | | | |
|---------------------------------|--|------------------|------------------|
| Balance at beginning of year | | 1 441 738 | 1 282 317 |
| Contribution to current portion | | 2 767 291 | 2 925 254 |
| Expenditure incurred | | (2 580 968) | (2 765 833) |
| Balance at end of year | | <u>1 628 061</u> | <u>1 441 738</u> |

Bonuses are being paid to all permanent municipal staff, excluding section 57 Managers. The balance at year end represent portion of the bonus that have already vested for the current salary cycle.

CAPE AGULHAS LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

| | 2014 R | 2013 R |
|---|------------------|------------------|
| Pension | | |
| Balance at beginning of year | 183 779 | 118 803 |
| Contribution to current portion | 65 590 | 64 975 |
| Expenditure incurred | (62 108) | - |
| Balance at end of year | 187 261 | 183 779 |
| The municipality resolved in line with the bargaining council agreement to provide lump sum pension fund payments to all municipal staff that were not afforded the opportunity (before 1 January 1995) to contribute to a pension fund. The balance also includes a portion where the municipality did not provide for increases in pension fund payments. | | |
| 8 PROVISIONS | | |
| Current Portion of Rehabilitation of Landfill-sites - Note 5 | 2 713 221 | 310 511 |
| Total Provisions | 2 713 221 | 310 511 |
| 9 PAYABLES FROM EXCHANGE TRANSACTIONS | | |
| Trade Payables | 3 199 842 | 1 861 038 |
| Pre-Paid Electricity | 166 891 | 145 383 |
| Debtors with credit balances | 887 332 | 1 148 223 |
| Sundry Creditors | 601 774 | 662 674 |
| Balance previously reported | | 429 545 |
| Correction of error - refer to note 38.07 | | 61 239 |
| Payments received in advance | - | 219 439 |
| Retentions | 1 487 089 | 1 763 438 |
| Balance previously reported | | 1 598 972 |
| Correction of error - refer to note 38.07 | | 164 465 |
| Sundry Deposits | 388 094 | 369 563 |
| Total Trade Payables | 6 731 022 | 6 169 758 |
| Payables are being recognised net of any discounts. | | |
| Payables are being paid within 30 days as prescribed by the MFMA. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other payables on initial recognition is not deemed necessary. | | |
| The carrying value of trade and other payables approximates its fair value. | | |
| All payables are unsecured. | | |
| Sundry deposits include Hall, Builders and Housing Deposits. | | |
| 10 UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS | | |
| Unspent Grants | 5 529 399 | 5 954 146 |
| Provincial Government Grants | 5 529 399 | 5 535 360 |
| Other Grant Providers | - | 418 786 |
| Less: Unpaid Grants | - | 3 603 367 |
| National Government Grants | - | 3 603 367 |
| Total Conditional Grants and Receipts | 5 529 399 | 2 350 779 |
| Balance Previously Reported | 2 601 790 | |
| Correction of error - Refer to note 38.09 | (251 011) | |
| | 2 350 779 | |
| See appendix "F" for reconciliation of grants from other spheres of government. The Unspent Grants are cash-backed by term deposits. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld. | | |
| Unspent grants can mainly be attributed to projects that are work in progress on the relevant financial year-ends. | | |
| 11 TAXES | | |
| VAT Payable | 1 387 839 | 1 347 645 |
| VAT Receivable | (1 464 051) | (1 533 301) |
| | (76 212) | (185 657) |
| Balance previously reported | (181 657) | |
| Correction of error - Refer to note 38.08 | (4 000) | |
| | (185 657) | |
| VAT is payable/receivable on the cash basis. | | |

CAPE AGULHAS MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

12 PROPERTY, PLANT AND EQUIPMENT

30 JUNE 2014

| Reconciliation of Carrying Value | Cost | | | | Accumulated Depreciation and Impairment Losses | | | | Carrying Value |
|----------------------------------|----------------------|-------------------|------------------|----------------------|--|------------------|------------------|----------------------|--------------------|
| | Opening Balance R | Additions R | Disposals R | Closing Balance R | Opening Balance R | Additions R | Disposals R | Closing Balance R | |
| Land and Buildings | 71 846 923 | - | 214 000 | 71 632 923 | 9 810 819 | 244 918 | 22 248 | 10 033 490 | 61 599 433 |
| Land | 48 982 988 | - | 115 000 | 48 867 988 | - | - | - | - | 48 867 988 |
| Buildings | 22 863 935 | - | 99 000 | 22 764 935 | 9 810 819 | 244 918 | 22 248 | 10 033 490 | 12 731 445 |
| Infrastructure | 193 083 790 | 23 311 370 | 33 160 | 216 361 999 | 36 360 869 | 4 822 219 | 15 481 | 41 167 607 | 175 194 392 |
| Roads and Storm water | 60 366 131 | 11 211 894 | - | 71 578 025 | 8 023 549 | 1 547 665 | - | 9 571 214 | 62 006 811 |
| Electricity Network | 44 292 290 | 4 208 019 | 33 160 | 48 467 149 | 8 362 227 | 1 293 669 | 15 481 | 9 640 415 | 38 826 733 |
| Sewerage Network | 42 380 163 | 7 670 031 | - | 50 050 194 | 5 477 613 | 854 160 | - | 6 331 773 | 43 718 421 |
| Water Network | 43 991 090 | 175 882 | - | 44 166 972 | 13 315 254 | 1 052 220 | - | 14 367 474 | 29 799 499 |
| Refuse Removal | 2 054 116 | 45 543 | - | 2 099 659 | 1 182 226 | 74 505 | - | 1 256 731 | 842 928 |
| Community Assets | 9 788 669 | 4 665 542 | 9 640 | 14 444 570 | 996 111 | 220 047 | 6 331 | 1 209 827 | 13 234 743 |
| Recreation Grounds | 2 945 699 | - | - | 2 945 699 | 553 765 | 123 162 | - | 676 927 | 2 268 772 |
| Community Halls | 4 833 509 | 4 124 289 | - | 8 957 797 | 151 975 | 32 300 | - | 184 275 | 8 773 522 |
| Libraries | 1 038 044 | 493 253 | - | 1 531 297 | 99 325 | 34 992 | - | 134 316 | 1 396 980 |
| Parks & Gardens | 423 877 | - | - | 423 877 | 89 882 | 12 715 | - | 102 597 | 321 281 |
| Clinics | 97 995 | - | - | 97 995 | 9 808 | 980 | - | 10 787 | 87 207 |
| Sports facilities | 419 545 | - | 9 640 | 409 905 | 90 872 | 15 400 | 6 331 | 99 941 | 309 964 |
| Cemeteries | 30 000 | 48 000 | - | 78 000 | 485 | 499 | - | 984 | 77 016 |
| Lease Assets | 1 764 806 | 167 611 | 1 066 700 | 865 717 | 1 227 909 | 169 716 | 1 022 800 | 374 825 | 490 892 |
| Leased Assets - Office Machines | 1 764 806 | 167 611 | 1 066 700 | 865 717 | 1 227 909 | 169 716 | 1 022 800 | 374 825 | 490 892 |
| Other Assets | 35 320 613 | 2 420 625 | 2 010 594 | 35 730 643 | 8 562 991 | 2 245 463 | 1 031 033 | 9 777 420 | 25 953 223 |
| Vehicles | 11 684 860 | - | 139 564 | 11 545 296 | 2 709 842 | 939 776 | 37 721 | 3 611 897 | 7 933 399 |
| Tools & Equipment | 4 046 471 | 475 798 | 716 170 | 3 806 099 | 1 271 694 | 314 049 | 287 351 | 1 298 392 | 2 507 708 |
| Furniture | 1 527 700 | 249 712 | 14 152 | 1 763 260 | 245 666 | 78 293 | 4 995 | 318 964 | 1 444 296 |
| Special Vehicles | 3 346 366 | - | - | 3 346 366 | 666 126 | 62 839 | - | 728 965 | 2 617 401 |
| Tables | 898 595 | - | 14 863 | 883 732 | 191 662 | 30 938 | 4 775 | 217 824 | 665 908 |
| Chairs | 520 086 | 74 586 | 9 684 | 584 988 | 194 921 | 37 473 | 4 340 | 228 054 | 356 934 |
| Office Equipment | 1 797 399 | 184 776 | 127 318 | 1 854 857 | 585 862 | 153 148 | 68 539 | 670 470 | 1 184 386 |
| Computer Hardware | 3 279 369 | 250 423 | 436 173 | 3 093 619 | 852 816 | 332 362 | 298 686 | 886 492 | 2 207 127 |
| Civic Land and Buildings | 4 042 098 | 1 107 407 | 566 | 5 148 939 | 386 892 | 74 123 | 29 | 460 986 | 4 687 953 |
| Other | 4 177 669 | 77 922 | 552 104 | 3 703 486 | 1 457 509 | 222 461 | 324 596 | 1 355 375 | 2 348 111 |
| | 311 804 799 | 30 565 147 | 3 334 095 | 339 035 852 | 56 958 698 | 7 702 364 | 2 097 893 | 62 563 168 | 276 472 683 |

CAPE AGULHAS MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

30 JUNE 2013

| Reconciliation of Carrying Value | Cost | | | | Accumulated Depreciation and Impairment Losses | | | | Carrying Value |
|---|--------------------|-------------------|------------------|--------------------|--|------------------|------------------|-------------------|--------------------|
| | Opening Balance | Additions | Disposals | Closing Balance | Opening Balance | Additions | Disposals | Closing Balance | |
| | R | R | R | R | R | R | R | R | R |
| Land and Buildings | 76 658 055 | 631 867 | 5 443 000 | 71 846 923 | 9 792 284 | 254 234 | 235 699 | 9 810 819 | 62 036 103 |
| Land | 52 323 200 | 182 788 | 3 523 000 | 48 982 988 | - | - | - | - | 48 982 988 |
| Buildings | 24 334 855 | 449 080 | 1 920 000 | 22 863 935 | 9 792 284 | 254 234 | 235 699 | 9 810 819 | 13 053 115 |
| Infrastructure | 166 155 694 | 26 928 096 | - | 193 083 790 | 32 067 707 | 4 293 162 | - | 36 360 869 | 156 722 921 |
| Roads and Storm water | 52 392 684 | 7 973 447 | - | 60 366 131 | 6 680 029 | 1 343 520 | - | 8 023 549 | 52 342 582 |
| Electricity Network | 42 391 736 | 1 900 554 | - | 44 292 290 | 7 133 450 | 1 228 777 | - | 8 362 227 | 35 930 063 |
| Sewerage Network | 33 311 758 | 9 068 404 | - | 42 380 163 | 4 640 175 | 837 438 | - | 5 477 613 | 36 902 550 |
| Water Network | 36 005 400 | 7 985 690 | - | 43 991 090 | 12 506 183 | 809 071 | - | 13 315 254 | 30 675 836 |
| Refuse Removal | 2 054 116 | - | - | 2 054 116 | 1 107 871 | 74 355 | - | 1 182 226 | 871 890 |
| Community Assets | 7 444 729 | 2 343 939 | - | 9 788 669 | 777 860 | 218 251 | - | 996 111 | 8 792 558 |
| Recreation Grounds | 2 556 388 | 389 311 | - | 2 945 699 | 431 220 | 122 545 | - | 553 765 | 2 391 934 |
| Community Halls | 2 937 638 | 1 895 870 | - | 4 833 509 | 119 772 | 32 203 | - | 151 975 | 4 681 534 |
| Libraries | 1 038 044 | - | - | 1 038 044 | 64 863 | 34 462 | - | 99 325 | 938 719 |
| Parks & Gardens | 365 119 | 58 758 | - | 423 877 | 77 521 | 12 361 | - | 89 882 | 333 996 |
| Clinics | 97 995 | - | - | 97 995 | 8 828 | 980 | - | 9 808 | 88 187 |
| Sports facilities | 419 545 | - | - | 419 545 | 75 472 | 15 400 | - | 90 872 | 328 673 |
| Cemeteries | 30 000 | - | - | 30 000 | 185 | 300 | - | 485 | 29 515 |
| Lease Assets | 2 250 623 | 43 969 | 529 787 | 1 764 806 | 1 304 496 | 169 634 | 246 222 | 1 227 909 | 536 897 |
| Leased Assets - Vehicles | 517 787 | - | 517 787 | - | 233 233 | 10 054 | 243 287 | - | - |
| Leased Assets - Office Machines | 1 732 836 | 43 969 | 12 000 | 1 764 806 | 1 071 263 | 159 580 | 2 935 | 1 227 909 | 536 897 |
| Other Assets | 33 238 313 | 3 300 936 | 1 218 636 | 35 320 613 | 7 142 360 | 2 015 841 | 595 211 | 8 562 991 | 26 757 622 |
| Vehicles | 10 000 848 | 1 844 526 | 160 514 | 11 684 860 | 2 027 867 | 744 024 | 62 049 | 2 709 842 | 8 975 018 |
| Tools & Equipment | 3 987 884 | 315 733 | 257 146 | 4 046 471 | 1 116 286 | 301 729 | 146 321 | 1 271 694 | 2 774 778 |
| Furniture | 1 238 080 | 302 602 | 12 982 | 1 527 700 | 182 900 | 65 585 | 2 818 | 245 666 | 1 282 034 |
| Special Vehicles | 3 346 366 | - | - | 3 346 366 | 603 287 | 62 839 | - | 666 126 | 2 680 240 |
| Tables | 928 578 | - | 29 982 | 898 595 | 165 630 | 32 002 | 5 970 | 191 662 | 706 933 |
| Chairs | 556 140 | - | 36 054 | 520 086 | 173 231 | 37 385 | 15 695 | 194 921 | 325 165 |
| Office Equipment | 1 861 924 | 201 844 | 266 369 | 1 797 399 | 564 741 | 168 444 | 147 324 | 585 862 | 1 211 537 |
| Computer Hardware | 2 994 654 | 612 805 | 328 090 | 3 279 369 | 749 415 | 278 715 | 175 315 | 852 816 | 2 426 553 |
| Civic Land and Buildings | 4 042 098 | - | - | 4 042 098 | 316 882 | 70 010 | - | 386 892 | 3 655 206 |
| Other | 4 233 332 | 7 816 | 63 480 | 4 177 669 | 1 240 105 | 252 922 | 35 518 | 1 457 509 | 2 720 159 |
| Furniture and Office Equipment - CAMLEDA | 48 410 | 15 610 | 64 020 | - | 2 016 | 2 186 | 4 202 | - | - |
| | 285 747 414 | 33 248 808 | 7 191 423 | 311 804 799 | 51 084 707 | 6 951 122 | 1 077 131 | 56 958 698 | 254 846 101 |
| Balance Previously reported | 277 607 080 | 33 202 246 | 7 263 446 | 303 545 880 | 53 484 032 | 6 589 158 | 1 121 424 | 58 951 766 | 244 594 114 |
| Correction of error - Refer to note 38.04 | 8 140 335 | 46 562 | (72 023) | 8 258 919 | (2 399 324) | 361 965 | (44 293) | (1 993 067) | 10 251 987 |
| | 285 747 414 | 33 248 808 | 7 191 423 | 311 804 799 | 51 084 707 | 6 951 122 | 1 077 131 | 56 958 698 | 254 846 101 |

The following work in progress balances are included in PPE

| | | | | 2014 | 2013 |
|-----------------------|--|--|--|------------------|-------------------|
| Roads and Storm water | | | | 6 761 922 | 2 566 615 |
| Electricity Network | | | | 433 248 | 203 801 |
| Sewerage Network | | | | 1 262 664 | 16 383 295 |
| | | | | 8 457 834 | 19 153 711 |

CAPE AGULHAS LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

| | 2014 R | 2013 R |
|---|-------------------|-------------------|
| 13 INVESTMENT PROPERTY | | |
| Net Carrying amount at 1 July | 40 732 816 | 41 626 346 |
| Balance previously reported | | 36 597 378 |
| Correction of error - Refer to note 38.03 | | 5 028 968 |
| Depreciation for the year | (8 530) | (8 530) |
| Balance previously reported | | (2 730) |
| Correction of error - Refer to note 38.03 | | (5 800) |
| Disposals | (30 000) | (885 000) |
| Net Carrying amount at 30 June | 40 694 286 | 40 732 816 |
| Cost | 40 796 800 | 40 826 800 |
| Accumulated Depreciation | (102 514) | (93 984) |

There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.

There are no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

| | 2014 R | 2013 R |
|---|----------------|----------------|
| 14 INTANGIBLE ASSETS | | |
| Computer Software | | |
| Net Carrying amount at 1 July | 520 431 | 113 806 |
| Acquisitions | 166 290 | 451 500 |
| Transfer to Southernmost Development Agency (Soc) Ltd | - | (5 282) |
| Amortisation | (121 912) | (39 593) |
| Net Carrying amount at 30 June | 564 809 | 520 431 |
| Cost | 774 025 | 607 735 |
| Accumulated Amortisation | (208 416) | (87 305) |

No intangible asset were assessed having an indefinite useful life.

There are no internally generated intangible assets at reporting date.

There are no intangible assets whose title is restricted.

There are no intangible assets pledged as security for liabilities

There are no contractual commitments for the acquisition of intangible assets.

| | 2014 R | 2013 R |
|--|-------------------|-------------------|
| 15 CAPITALISED RESTORATION COST | | |
| Net Carrying amount at 1 July | 19 065 201 | 9 262 274 |
| Additions | 2 423 048 | 9 998 781 |
| Disposals | (946 684) | - |
| Depreciation | (411 843) | (175 697) |
| Impairments | (2 373 040) | (20 157) |
| Net Carrying amount at 30 June | 17 756 682 | 19 065 201 |
| Cost | 21 010 136 | 19 533 772 |
| Accumulated Depreciation | (824 810) | (412 967) |
| Accumulated Impairments | (2 428 644) | (55 604) |

| | 2014 R | 2013 R |
|--|-----------|----------------|
| 16 NON-CURRENT INVESTMENTS | | |
| Unlisted | | |
| Municipal Entity - Southernmost Development Agency (Soc) Ltd | 45 113 | 135 260 |
| Cost | 398 298 | 377 297 |
| Provision for Impairment | (353 186) | (242 037) |
| Balance previously reported | | 140 459 |
| Correction of error - Refer to note 38.05 | | (5 199) |
| | | 135 260 |

The Municipality acquired a 100% shareholding in Southernmost Development Agency (Soc) Ltd on 23 October 2012. The initial purpose of the entity was to promote economic development in the municipal area. However, the municipality resolved on 28 May 2013 not to further its objective of economic development through this Municipal Entity.

Although a decision has been taken by Council to dissolve the entity, the administrative procedures and steps to de-register the legal structure was not completed on 30 June 2014.

A provision for Impairment was raised to reduce the carrying value of the investment in line with the net assets held by the entity on 30 June 2014.

CAPE AGULHAS LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

| | 2014 R | 2013 R |
|---|-------------------------|-------------------------|
| 17 LONG-TERM RECEIVABLES | | |
| Loans to organisations - at amortised cost | 10 994 | 17 232 |
| Individual housing loans | 313 463 | 339 819 |
| | <hr/> | <hr/> |
| Less: Current portion transferred to current receivables | 324 457 | 357 052 |
| Loans to organisations - at amortised cost | (6 554) | (6 239) |
| Total Long Term Receivables | <hr/> (6 554) | <hr/> (6 239) |
| | <hr/> 317 903 | <hr/> 350 813 |
| 18 INVENTORY | | |
| Consumable Stores - Stationery and materials - At cost | 667 532 | 878 650 |
| Water – At cost | 24 635 | 30 030 |
| Total Inventory | <hr/> 692 167 | <hr/> 908 680 |
| No inventory assets were pledged as security for liabilities. | | |
| 19 RECEIVABLES FROM EXCHANGE TRANSACTIONS | | |
| Service Receivables | 21 393 541 | 18 647 806 |
| Electricity | 9 712 443 | 8 880 406 |
| Water | 4 080 236 | 3 462 471 |
| Refuse | 1 665 317 | 1 456 326 |
| Sewerage | 1 189 953 | 949 392 |
| Other Services | 4 745 592 | 3 899 212 |
| | <hr/> | <hr/> |
| Other Receivables | 1 441 005 | 505 392 |
| Asset Sales | 484 853 | 484 853 |
| Payments in Advance | 763 363 | - |
| Other Arrears | 192 790 | 20 539 |
| Balance previously reported | <hr/> | <hr/> |
| Correction of error - Refer to note 38.1 | <hr/> (40 700) | <hr/> 61 239 |
| Total Service Receivables | 22 834 547 | 19 153 198 |
| Less: Allowance for Doubtful Debts | (7 791 716) | (6 391 371) |
| Net Service Receivables | <hr/> 15 042 831 | <hr/> 12 761 827 |
| Included in the outstanding balances are consumer debtors to the value of R 580 714 (2013 - R405 259), who have made arrangements to repay their outstanding debt over a re-negotiated period. | | |
| Consumer debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other receivables on initial recognition is not deemed necessary | | |
| Ageing of Receivables from Exchange Transactions | | |
| (Electricity): Ageing | | |
| Current (0 - 30 days) | 7 709 121 | 7 007 698 |
| 31 - 60 Days | 686 046 | 640 594 |
| 61 - 90 Days | 98 144 | 107 879 |
| + 90 Days | 1 219 131 | 1 124 235 |
| Total | <hr/> 9 712 443 | <hr/> 8 880 406 |
| (Water): Ageing | | |
| Current (0 - 30 days) | 1 589 889 | 1 511 416 |
| 31 - 60 Days | 359 459 | 283 849 |
| 61 - 90 Days | 143 841 | 148 246 |
| + 90 Days | 1 987 048 | 1 518 960 |
| Total | <hr/> 4 080 236 | <hr/> 3 462 471 |
| (Refuse): Ageing | | |
| Current (0 - 30 days) | 637 633 | 586 031 |
| 31 - 60 Days | 141 392 | 129 641 |
| 61 - 90 Days | 53 712 | 51 936 |
| + 90 Days | 832 579 | 688 718 |
| Total | <hr/> 1 665 317 | <hr/> 1 456 326 |

CAPE AGULHAS LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

| | 2014 R | 2013 R |
|---------------------------|------------------|----------------|
| (Sewerage): Ageing | | |
| Current (0 - 30 days) | 393 948 | 345 602 |
| 31 - 60 Days | 107 169 | 86 964 |
| 61 - 90 Days | 46 030 | 38 405 |
| + 90 Days | 642 805 | 478 421 |
| Total | 1 189 953 | 949 392 |

| | 2014 | 2013 |
|------------------------|------------------|------------------|
| (Other): Ageing | | |
| Current (0 - 30 days) | 1 566 704 | 1 317 458 |
| 31 - 60 Days | 403 392 | 301 242 |
| 61 - 90 Days | 215 639 | 108 619 |
| + 90 Days | 2 559 858 | 2 171 893 |
| Total | 4 745 592 | 3 899 212 |

| | 2014 | 2013 |
|------------------------|-------------------|-------------------|
| (Total): Ageing | | |
| Current (0 - 30 days) | 11 897 295 | 10 768 205 |
| 31 - 60 Days | 1 697 459 | 1 442 290 |
| 61 - 90 Days | 557 366 | 455 084 |
| + 90 Days | 7 241 422 | 5 982 227 |
| Total | 21 393 541 | 18 647 806 |

| | Reconciliation of the doubtful debt provision | |
|--|--|------------------|
| Balance at beginning of the year | 6 391 371 | 5 061 200 |
| Contributions to provision | 2 028 439 | 1 624 572 |
| Doubtful debts written off against provision | (628 095) | (294 401) |
| Balance at end of year | 7 791 716 | 6 391 371 |

The Provision for Impairment could be allocated between the different classes of receivables as follows:

| | | |
|-------------------|------------------|------------------|
| Electricity | 1 424 833 | 1 259 101 |
| Water | 1 734 655 | 1 296 322 |
| Refuse | 796 624 | 639 878 |
| Sewerage | 593 694 | 438 670 |
| Other Services | 2 757 058 | 2 272 548 |
| Other Receivables | 484 853 | 484 853 |
| | 7 791 716 | 6 391 371 |

In determining the recoverability of a receivable, the Municipality considers any change in the credit quality of the trade receivable from the date the credit was initially granted, up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, management believes no further credit provisions are required in excess of the present allowance for doubtful debts.

20 RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

| | 5 019 758 | 3 805 488 |
|------------------------------------|------------------|------------------|
| Rates | 5 019 758 | 3 805 488 |
| Other Receivables | 846 816 | 424 074 |
| Unpaid Fines | 841 780 | - |
| Staff | 5 036 | 5 288 |
| Trust Account - IDC Grant | 418 786 | 418 786 |
| Less: Allowance for Doubtful Debts | 5 866 575 | 4 229 562 |
| | (2 908 273) | (1 838 674) |
| | 2 958 302 | 2 390 888 |

Ageing of Receivables from Non-Exchange Transactions

| | 5 019 758 | 3 805 488 |
|------------------------|------------------|------------------|
| (Rates): Ageing | | |
| Current (0 - 30 days) | 1 781 423 | 1 408 369 |
| 31 - 60 Days | 456 886 | 220 898 |
| 61 - 90 Days | 108 126 | 89 383 |
| + 90 Days | 2 673 323 | 2 086 838 |
| Total | 5 019 758 | 3 805 488 |

Debts are required to be settled after 30 days, interest is charged after this date at prime +1%.

The fair value of receivables approximates their carrying amounts.

Due to the prospective application of the revised IGRAP 1, the municipality raised a receivable as well as an impairment charge on unpaid fines in the current year. This also resulted in a significant increase in fines revenue recognised in the statement of financial performance when compared to the comparative year.

CAPE AGULHAS LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

| | 2014 R | 2013 R |
|---|------------------|------------------|
| <u>Reconciliation of the doubtful debt provision</u> | | |
| Balance at beginning of the year | 1 838 674 | 1 136 945 |
| Contributions to provision | 1 090 186 | 702 706 |
| Doubtful debts written off against provision | (20 588) | (976) |
| Balance at end of year | 2 908 273 | 1 838 674 |

The Provision for Impairment could be allocated between the different classes of receivables as follows:

| | | |
|-------|------------------|------------------|
| Rates | 2 419 775 | 1 838 674 |
| Fines | 488 498 | - |
| | 2 908 273 | 1 838 674 |

In determining the recoverability of a receivable, the Municipality considers any change in the credit quality of the trade receivable from the date the credit was initially granted, up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, management believes no further credit provisions are required in excess of the present allowance for doubtful debts.

21 OPERATING LEASE ARRANGEMENTS

21.1 The Municipality as Lessor

| | | |
|--------------------------------------|---------------|---------------|
| Balance on 1 July | 64 545 | 48 588 |
| Movement in lease asset for the year | 4 907 | 15 958 |
| Balance on 30 June | 69 452 | 64 545 |

At the Statement of Financial Position date, where the municipality acts as a lessor under operating leases, it will receive operating lease income as follows:

| | | |
|---|------------------|------------------|
| Up to 1 Year | 460 777 | 344 676 |
| 1 to 5 Years | 581 691 | 673 473 |
| More than 5 Years | 69 565 | 120 969 |
| Total Operating Lease Arrangements | | |
| | 1 112 034 | 1 139 119 |

This lease income was determined from contracts that have a specific conditional income and does not include lease income which has a undetermined conditional income.

The leases are in respect of land and buildings being leased out for periods ranging until 2021.

22 CASH AND CASH EQUIVALENTS

Assets

| | | |
|---|-------------------|-------------------|
| Primary Bank Account | 11 393 101 | 24 549 700 |
| Call and Notice Deposits | 10 000 000 | - |
| Cash Floats | 14 100 | 12 700 |
| Total Cash and Cash Equivalents - Assets | | |
| | 21 407 201 | 24 562 400 |

Cash and cash equivalents comprise cash held and short term deposits. The carrying amount of these assets approximates their fair value.

Cash and cash equivalents are held to fund the following commitments:

| | | |
|-----------------------------|-------------------|------------|
| Unspent Conditional Grants | 5 529 399 | 5 954 146 |
| Capital Replacement Reserve | 15 750 000 | 16 500 000 |
| Valuation Roll Reserve | - | 2 000 000 |
| 21 279 399 | | |
| | 24 454 146 | |

A bank overdraft facility of R2 000 000 exists at ABSA.

Guarantees are held at ABSA and Nedbank in the name of the following entities :

| | | |
|---------------------------|---------------|---------------|
| Building of dam (Nedbank) | - | 7 000 |
| The Post Office | 50 000 | 50 000 |
| | 50 000 | 57 000 |

The municipality has the following bank accounts:

Current Accounts

| | | |
|--|-------------------|-------------------|
| Bredasdorp ABSA - Account number 40 5883 2586 (Primary Bank Account) | 11 393 101 | 24 549 700 |
| | 11 393 101 | 24 549 700 |

| | | |
|---|-------------------|-------------------|
| Bredasdorp ABSA - Account number 40 5883 2586 (Primary Bank Account) | 24 549 700 | 26 572 061 |
| Cash book balance at beginning of year | 11 393 101 | 24 549 700 |
| Cash book balance at end of year | | |
| | 21 931 361 | 24 827 306 |
| Bank statement balance at beginning of year | 11 158 873 | 21 931 361 |
| Bank statement balance at end of year | 21 931 361 | 21 931 361 |

CAPE AGULHAS LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

| | 2014 R | 2013 R |
|--|-----------------------|----------------------|
| <u>Call and Notice Deposits</u> | | |
| Call and Notice deposits consist out of the following accounts: | | |
| Investec - Acc.no.1100 458527 451 (32 Day Notice) | 10 000 000 | - |
| 23 PROPERTY RATES | | |
| <i><u>Actual</u></i> | | |
| Rateable Land and Buildings | 39 475 102 | 34 888 980 |
| Residential, Commercial Property, State | 39 475 102 | 34 888 980 |
| Less: Rebates | (149 989) | (125 848) |
| Total Assessment Rates | 39 325 113 | 34 763 132 |
| <i><u>Valuations</u></i> | | |
| Rateable Land and Buildings | 6 685 236 700 | 6 316 469 100 |
| Residential | 553 822 000 | 532 867 400 |
| Business & Commercial | 88 341 000 | 60 837 000 |
| Public benefit Organizations | 267 886 000 | 177 251 000 |
| State-owned | 2 430 074 000 | 1 263 773 600 |
| Agricultural | 492 906 200 | 436 869 150 |
| Other | | |
| Total Assessment Rates | 10 518 265 900 | 8 788 067 250 |
| Valuations on land and buildings are performed every four years. The last valuation came into effect on 1 July 2013. Rebates were granted on land with buildings used solely for dwellings purposes as follows: Residential - The first R15 000 on the valuation is exempted. | | |
| Rebates on Income - Basic Rate: | | |
| Single Tariff (Excluding Agricultural) | 0.004809 c / R | 0.004715 c / R |
| Agricultural Land | 0.001202 c / R | 0.001179 c / R |
| Rates are levied annually and monthly. Monthly rates are payable by the 25th of the following month and annual rates are payable before 30 September. Interest is levied at the prime rate plus 1% on outstanding monthly rates. | | |
| Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission. | | |
| 24 GOVERNMENT GRANTS AND SUBSIDIES | | |
| Unconditional Grants | 18 057 000 | 16 877 000 |
| Equitable Share | 18 057 000 | 16 877 000 |
| Conditional Grants | 48 929 273 | 69 723 439 |
| Grants and donations | 48 770 273 | 66 478 118 |
| Subsidies | 159 000 | 3 245 321 |
| Total Government Grants and Subsidies | 66 986 273 | 86 600 439 |
| Government Grants and Subsidies - Capital | | |
| Government Grants and Subsidies - Operating | 15 437 376 | 23 712 195 |
| | 51 548 897 | 62 888 244 |
| | 66 986 273 | 86 600 439 |
| Revenue recognised per vote as required by Section 123 (c) of the MFMA | | |
| Equitable share | 18 057 000 | 16 877 000 |
| Executive and Council | 43 597 985 | 62 377 406 |
| Corporate Services | 538 899 | 321 361 |
| Community and Social Services | 4 633 389 | 3 779 351 |
| Road Transport | 159 000 | 3 245 321 |
| | 66 986 273 | 86 600 439 |
| The municipality does not expect any significant changes to the level of grants. | | |
| 24.01 Equitable share | | |
| Opening balance | - | - |
| Grants received | 18 057 000 | 16 877 000 |
| Conditions met - Operating | (18 057 000) | (16 877 000) |
| Conditions still to be met | - | - |

The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury.

CAPE AGULHAS LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

| | 2014 R | 2013 R |
|---|-------------|-------------|
| 24.02 Local Government Financial Management Grant (FMG) | | |
| Opening balance | - | (1 212) |
| Grants received | 1 300 000 | 1 250 000 |
| Conditions met - Operating | (1 300 000) | (1 248 788) |
| Conditions still to be met/(Grant expenditure to be recovered) | - | - |
| | <hr/> | <hr/> |
| The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns). | | |
| 24.03 Municipal Systems Improvement Grant (MSIG) | | |
| Opening balance | - | 3 710 |
| Grants received | 890 000 | 800 000 |
| Conditions met - Operating | (317 974) | (132 704) |
| Conditions met - Capital | (572 026) | (671 006) |
| Conditions still to be met | - | - |
| | <hr/> | <hr/> |
| The MSIG was used for building in-house capacity to perform municipal functions and stabilise institutional and governance systems. | | |
| 24.04 Municipal Infrastructure Grant (MIG) | | |
| Opening balance | - | - |
| Grants received | 10 209 000 | 10 284 000 |
| Conditions met - Operating | (1 449 041) | (1 705 121) |
| Conditions met - Capital | (8 759 959) | (8 578 879) |
| Grant expenditure to be recovered | - | - |
| | <hr/> | <hr/> |
| The grant was used to upgrade infrastructure in previously disadvantaged areas. | | |
| 24.05 Regional Bulk Infrastructure Grant (RBIG) | | |
| Opening balance | (3 362 502) | (3 801) |
| Grants received | 5 558 000 | 5 557 971 |
| Conditions met - Operating | (269 623) | (1 081 840) |
| Conditions met - Capital | (1 925 875) | (7 834 832) |
| Grant expenditure to be recovered | 0 | (3 362 502) |
| | <hr/> | <hr/> |
| The grant was used to upgrade infrastructure in the municipal area. | | |
| 24.06 Skills Development Fund | | |
| Opening balance | - | - |
| Grants received | 774 005 | 321 361 |
| Conditions met - Operating | (774 005) | (321 361) |
| Conditions still to be met | - | - |
| | <hr/> | <hr/> |
| The skills Development fund is utilised to provide training. | | |
| 24.07 National Electrification Programme (INEP) | | |
| Opening balance | (240 866) | - |
| Grants received | 3 200 000 | 1 000 000 |
| Transfers | - | (425 158) |
| Conditions met - Capital | (49 403) | (815 707) |
| Conditions still to be met | - | (240 866) |
| | <hr/> | <hr/> |
| The National Electrification Grant was used to upgrade the sub-station and electrification network. | | |
| 24.08 Expanded Public Works Program (EPWP) | | |
| Opening balance | - | - |
| Grants received | 1 000 000 | 1 000 000 |
| Conditions met - Operating | (1 000 000) | (293 694) |
| Conditions met - Capital | - | (706 306) |
| Conditions still to be met | - | - |
| | <hr/> | <hr/> |
| This program is aimed at providing poverty en income relief through the creation of temporary work opportunities. | | |
| 24.09 Library Grant | | |
| Opening balance | 821 359 | - |
| Grants received | 4 511 330 | 4 163 000 |
| Conditions met - Operating | (3 696 214) | (3 241 918) |
| Conditions met - Capital | (915 008) | (99 723) |
| Conditions still to be met | 721 466 | 821 359 |
| | <hr/> | <hr/> |
| The library grants is utilised to fund the cost of providing library services within the municipal area | | |

CAPE AGULHAS LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

| | 2014 R | 2013 R |
|---|--------------|--------------|
| 24.1 Proclaimed road subsidy | | |
| Opening balance | - | (1 330 079) |
| Grants received | 159 000 | 4 575 400 |
| Conditions met - Operating | (159 000) | (3 245 321) |
| Grant expenditure to be recovered | - | - |
| | <hr/> | <hr/> |
| The subsidy is utilised to upgrade the provincial road network in the municipal area. | | |
| 24.11 Housing Grants | | |
| Opening balance | 3 712 523 | (696 843) |
| Grants received | 21 442 614 | 40 972 562 |
| Transfers | - | 425 158 |
| Conditions met - Operating | (18 051 567) | (34 207 782) |
| Conditions met - Capital | (2 443 394) | (2 780 572) |
| Conditions still to be met/(Grant expenditure to be recovered) | <hr/> | <hr/> |
| | 4 660 176 | 3 712 523 |
| Housing grants was utilised for the development of erven and the erection of top structures. | | |
| 24.1 Department of Agriculture, Forestry and Fisheries | | |
| Opening balance | - | - |
| Grants received | 3 000 000 | - |
| Conditions met - Operating | (2 927 961) | - |
| Conditions still to be met | <hr/> | <hr/> |
| | 72 039 | - |
| The municipality received funds from the Department of Agriculture, Forestry and Fisheries to perform initial investigations into the establishment of an Abalone farm in the municipal area. | | |
| 24.12 IDC - Pre Establishment Grant | | |
| Opening balance | 418 786 | 831 297 |
| Interest Received | 11 353 | 25 199 |
| Conditions met - Operating | (1 165) | (109 902) |
| Conditions met - Capital | (21 001) | (327 807) |
| Funds returned to grant provider | (407 973) | - |
| Conditions still to be met | <hr/> | <hr/> |
| | - | 418 786 |
| This grant is utilised to fund the pre-establishment and start-up phase of the municipal development agency, Southernmost Development Agency (Soc) Ltd. The municipality resolved on 28 May 2013 to not further economic development through the agency. Subsequently, the remainder of the funds received from the IDC were paid back on 28 February 2014. | | |
| 24.13 Other Grants | | |
| Opening balance | 1 001 477 | 2 713 652 |
| Grants received | 460 564 | 608 000 |
| Conditions met - Operating | (635 616) | (422 813) |
| Conditions met - Capital | (750 709) | (1 897 362) |
| Conditions still to be met | <hr/> | <hr/> |
| | 75 717 | 1 001 477 |
| Various grants were received from other spheres of government (e.g. Library fund and Skills Development) | | |
| 24.14 Total Grants | | |
| Opening balance | 2 350 779 | 1 516 725 |
| Grants received | 70 561 513 | 87 409 293 |
| Interest Received | 11 353 | 25 199 |
| Conditions met - Operating | (51 548 897) | (62 888 244) |
| Conditions met - Capital | (15 437 376) | (23 712 195) |
| Funds returned to grant provider | (407 973) | - |
| Conditions still to be met/(Grant expenditure to be recovered) | <hr/> | <hr/> |
| | 5 529 399 | 2 350 779 |
| <u>Disclosed as follows:</u> | | |
| Unspent Conditional Government Grants and Receipts | 5 529 399 | 5 954 146 |
| Unpaid Conditional Government Grants and Receipts | - | (3 603 367) |
| | <hr/> | <hr/> |
| | 5 529 399 | 2 350 779 |
| 25 PUBLIC CONTRIBUTIONS AND DONATIONS | | |
| Blue Bay Infrastructure - Refer to note 51 | 1 290 000 | - |
| Department of Cultural Affairs and Sport | - | 46 562 |
| Mubesko Africa CC | - | 20 000 |
| | <hr/> | <hr/> |
| | 1 290 000 | 66 562 |
| 26 SERVICE CHARGES | | |
| Electricity | 69 613 564 | 65 091 523 |
| Water | 16 950 471 | 16 175 128 |
| Refuse removal | 10 495 455 | 9 534 228 |
| Sewerage and Sanitation Charges | 7 534 105 | 6 335 557 |
| | <hr/> | <hr/> |
| Less: Rebates | 104 593 595 | 97 136 437 |
| Total Service Charges | (5 767 343) | (5 289 415) |
| | <hr/> | <hr/> |
| | 98 826 253 | 91 847 022 |

CAPE AGULHAS LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

| | 2014 R | 2013 R |
|---|-------------------|-------------------|
| 27 INTEREST EARNED - OUTSTANDING DEBTORS | | |
| Interest earned on service accounts | 622 553 | 536 942 |
| Penalty interest imposed on Property Rates | 137 213 | 99 929 |
| Total Interest Earned | 759 766 | 636 871 |
| 28 OTHER INCOME | | |
| Connections - Electricity | 668 923 | 538 553 |
| Connections - Water | 209 313 | 199 388 |
| Building Plan Fees | 428 049 | 429 064 |
| Garden Refuse Removal | 277 421 | 243 707 |
| Sundry Income | 1 179 525 | 801 846 |
| Total Other Income | 2 763 231 | 2 212 557 |
| Other income represents sundry income such as administration income, building plans and legal income. | | |
| 29 EMPLOYEE RELATED COSTS | | |
| Long Service Awards | 669 006 | 658 861 |
| Post Retirement Medical | 3 817 731 | 3 204 815 |
| Employee related costs - Salaries and Wages | 48 681 446 | 45 993 676 |
| Group Life Insurance | 809 640 | 821 471 |
| Housing Subsidy | 385 776 | 384 259 |
| Leave Reserve Fund | 79 052 | 1 391 434 |
| Overtime | 2 977 963 | 2 379 686 |
| Employee related costs - Contributions for UIF, pensions and medical aids | 9 611 798 | 8 447 929 |
| Standby Allowances | 1 498 125 | 1 393 947 |
| Travel, motor car, telephone, assistance and other allowances | 4 279 788 | 3 861 285 |
| Total Employee Related Costs | 72 810 326 | 68 537 363 |
| KEY MANAGEMENT PERSONNEL | | |
| All Managers are appointed on a 5-year contract, except for the current Chief Financial Officer (Mr H van Biljon) who is appointed on a 3 and a half year contract. There are no post-employment or termination benefits payable to them at the end of the contract period. | | |
| REMUNERATION OF KEY MANAGEMENT PERSONNEL | | |
| <i>Remuneration of the Municipal Manager - D O'Neill (September 2013 - June 2014)</i> | | |
| Annual Remuneration | 729 512 | - |
| Car Allowance | 90 570 | - |
| Subsistence and Travel | 3 729 | - |
| SALGA contribution | 64 | - |
| Contribution to Group Insurance | 15 626 | - |
| Contributions to UIF, Medical and Pension Funds | 168 185 | - |
| Total | 1 007 685 | - |
| <i>Remuneration of the Municipal Manager - R Stevens</i> | | |
| Annual Remuneration | 74 635 | 829 113 |
| Performance Bonuses | 147 732 | 137 998 |
| Car Allowance | 7 199 | 77 984 |
| Subsistence and Travel | - | 1 491 |
| SALGA contribution | 6 | 71 |
| Contribution to Group Insurance | 1 881 | 20 894 |
| Contributions to UIF, Medical and Pension Funds | 16 428 | 186 947 |
| Total | 247 881 | 1 254 498 |
| <i>Remuneration of the Manager: Community Services - KM Mrali (August 2013 - June 2014)</i> | | |
| Annual Remuneration | 540 480 | - |
| Travelling Allowance | 118 727 | - |
| Subsistence and Travel | 6 954 | - |
| SALGA contribution | 70 | - |
| Contribution to Group Insurance | 11 763 | - |
| Contributions to UIF, Medical and Pension Funds | 130 588 | - |
| Total | 808 581 | - |

CAPE AGULHAS LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

| | 2014 R | 2013 R |
|--|------------------|------------------|
| Remuneration of the Manager: Corporate Services - S Ngwevu | | |
| Annual Remuneration | 629 019 | 580 026 |
| Performance Bonuses | 85 517 | 79 898 |
| Travelling Allowance | 99 241 | 89 090 |
| Subsistence and Travel | 27 921 | 37 393 |
| SALGA contribution | 76 | 71 |
| Contribution to Group Insurance | 13 870 | 14 617 |
| Contributions to UIF, Medical and Pension Funds | 139 563 | 124 523 |
| Total | 995 206 | 925 618 |
| Remuneration of the Manager: Civil Engineering Services - N Kotze | | |
| Annual Remuneration | 636 200 | 587 208 |
| Performance Bonuses | 108 839 | 101 688 |
| Travelling Allowance | 83 637 | 95 306 |
| Subsistence and Travel | 4 803 | 5 612 |
| SALGA contribution | 76 | 71 |
| Contribution to Group Insurance | 14 028 | 14 798 |
| Contributions to UIF, Medical and Pension Funds | 158 992 | 149 174 |
| Total | 1 006 576 | 953 858 |
| Remuneration of the Chief Financial Officer - PJ Van Biljon (February 2014 - June 2014) | | |
| Annual Remuneration | 296 374 | - |
| Car Allowance | 65 144 | - |
| Subsistence and Travel | 7 641 | - |
| SALGA contribution | 32 | - |
| Contribution to Group Insurance | - | - |
| Contributions to UIF, Medical and Pension Funds | 68 617 | - |
| Total | 437 807 | - |
| Remuneration of the Chief Financial Officer - H Schlebusch (July 2013 - October 2013) | | |
| Annual Remuneration | 216 452 | 600 362 |
| Performance Bonuses | 85 517 | 101 688 |
| Car Allowance | 16 000 | 54 947 |
| Subsistence and Travel | - | 15 017 |
| SALGA contribution | 25 | 71 |
| Contribution to Group Insurance | 5 227 | 15 129 |
| Contributions to UIF, Medical and Pension Funds | 45 676 | 127 953 |
| Total | 368 897 | 915 168 |
| 30 REMUNERATION OF COUNCILLORS | | |
| Executive Mayor | R G Mitchell | 676 660 |
| Executive Deputy Mayor | D Jantjies | 528 739 |
| Speaker | E C Marthinus | 528 739 |
| Councillor - Full time | M R Mokotwana | 497 027 |
| Councillor - Part time | P N Atyhoski | 211 327 |
| Councillor - Part time | J G A Niewoudt | 211 327 |
| Councillor - Part time | G D Burger | 211 327 |
| Councillor - Part time | J A Coetzee | 211 327 |
| Councillor - Part time | W J October | 211 327 |
| Total Councillors' Remuneration | 3 287 800 | 3 076 960 |
| In-kind Benefits | | |
| The Executive Mayor, Deputy Executive Mayor, Speaker and one mayoral committee member are full-time. | | |
| They are provided with secretarial support and an office each at the cost of the Council. | | |
| 31 DEBT IMPAIRMENT | | |
| Receivables from exchange transactions - Refer to note 19 | 2 028 439 | 1 624 572 |
| Receivables from non-exchange transactions - Refer to note 20 | 1 090 186 | 702 706 |
| Total Contribution to Impairment Provision/(Reversal of provision) | 3 118 626 | 2 327 278 |
| Less VAT included in contribution for the year | (149 775) | (148 168) |
| Debt impairment recognised in statement of financial performance | 2 968 851 | 2 179 110 |
| 32 DEPRECIATION AND AMORTISATION | | |
| Property Plant & Equipment | 7 702 364 | 6 951 122 |
| Landfill Sites | 411 843 | 175 697 |
| Investment Property | 8 530 | 8 530 |
| Intangible Assets | 121 912 | 39 593 |
| | 8 244 648 | 7 174 942 |
| 33 IMPAIRMENTS | | |
| Investment in Municipal Entity - Southernmost Development Agency (Soc) Ltd | 111 148 | 242 037 |
| Landfill Sites | 2 373 040 | 20 157 |
| | 2 484 188 | 262 194 |

CAPE AGULHAS LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

| | | 2014 R | 2013 R |
|---|--|-------------------|-------------------|
| 34 FINANCE CHARGES | | | |
| Long-term Liabilities | | 99 915 | 118 651 |
| Finance leases | | 27 434 | 46 007 |
| Landfill Sites | | 1 014 517 | 500 078 |
| Total finance charges | | 1 141 867 | 664 736 |
| 35 BULK PURCHASES | | | |
| Electricity | | 53 634 995 | 48 523 300 |
| Water | | 625 609 | 520 831 |
| Total Bulk Purchases | | 54 260 605 | 49 044 131 |
| 36 OPERATING GRANT EXPENDITURE | | | |
| Proclaimed Roads | | 105 753 | 3 812 967 |
| Electrification | | 549 533 | - |
| Financial and Systems Management | | 1 443 239 | 1 285 756 |
| Housing | | 18 051 567 | 34 207 782 |
| Development Agency Pre-Establishment Costs | | 1 165 | 99 151 |
| Other | | 3 468 401 | 592 355 |
| Total Operating Grant Expenditure | | 23 619 658 | 39 998 012 |
| 37 GENERAL EXPENSES | | | |
| Advertising | | 166 860 | 290 569 |
| Advertising & Tourism | | 706 200 | 706 200 |
| Audit Committee Allowances | | 60 781 | 68 726 |
| Audit fees | | 2 597 240 | 1 680 494 |
| Bank Charges | | 561 378 | 636 706 |
| Chemicals | | 1 123 947 | 1 060 602 |
| Cleaning material | | 165 917 | 229 906 |
| Cleaning projects | | 110 707 | 52 274 |
| Cleaning services & washing | | 64 629 | 59 428 |
| Computer Services & License fees | | 1 642 346 | 1 255 732 |
| Contributions - Pensioners | | 164 657 | 235 370 |
| Donations | | 99 000 | 104 960 |
| Entertainment costs | | 142 387 | 162 698 |
| Free Basic Electricity and Indigent Subsidy | | 527 521 | 506 722 |
| Fuel Cost | | 3 128 962 | 2 595 046 |
| Holiday Programmes & Entertainment | | 375 919 | 320 397 |
| Housing Development Fund | | 400 000 | 597 000 |
| Human Development | | 301 150 | 217 883 |
| Insurance | | 371 764 | 419 679 |
| Legal fees | | 1 768 104 | 1 350 806 |
| License fees - Radios | | 10 200 | 28 649 |
| License fees - Vehicles | | 115 055 | 100 503 |
| Local Economic Development | | 49 615 | 118 211 |
| Oil & Lubricants | | 40 564 | 52 977 |
| Postage | | 521 593 | 468 472 |
| Printing & Stationery | | 916 984 | 843 382 |
| Professional & Consultancy fees | | 879 477 | 1 038 749 |
| Protective Clothing | | 309 295 | 193 555 |
| Public Communication | | 278 683 | 444 144 |
| Recruiting Costs | | 227 582 | 146 207 |
| Refuse Bags | | 375 015 | 395 507 |
| Rental Paid | | 670 246 | 445 245 |
| Security Services | | 676 350 | 520 360 |
| Service Charges | | 539 736 | 597 495 |
| Service connections - new | | 192 343 | 279 017 |
| Social assistance | | 28 000 | 26 045 |
| Socio-Economic Development | | 159 856 | 204 363 |
| Structure - & Zoning planning | | 107 407 | - |
| Subscriptions - Organisations | | 675 701 | 573 264 |
| Subsistence & Travel Allowances | | 554 374 | 442 797 |
| Telephone costs | | 1 392 310 | 1 335 337 |
| Training & Development - Staff | | 1 685 647 | 354 786 |
| Training Levy | | 606 588 | 547 874 |
| Union Representative | | 19 241 | 16 289 |
| Valuation Costs | | 525 233 | 439 855 |
| Ward Committees | | 553 756 | 507 694 |
| Workmens Compensation Contributions | | 421 466 | 337 170 |
| Other | | 2 823 839 | 1 719 082 |
| General Expenses | | 29 835 625 | 24 728 224 |

General expenses contains administrative and technical expenses otherwise not provided for in the line-items of the Statement of Financial performance. This include items such as telecommunications, travelling, legal fees, auditing fees and consulting fees.

CAPE AGULHAS LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

| | 2013 R |
|--|--------------------|
| 38 CORRECTION OF ERROR IN TERMS OF GRAP 3 | |
| 38.01 LONG-TERM LIABILITIES | |
| Balance previously reported | 678 582 |
| Recognise finance lease previously not recognised during 2011/2012 - Refer to note 38.04 | 27 359 |
| Recognise capital redemption on finance leases up to 30 June 2012 previously not recognised - Refer to note 38.12 | (4 760) |
| Recognise capital redemption on finance leases during 2012/2013 previously not recognised - Refer to note 39 | (8 762) |
| Correction of current portion of finance leases on 30 June 2013 - Refer to note 38.02 | (9 584) |
| | 682 836 |
| 38.02 CURRENT PORTION OF LONG TERM-LIABILITIES | |
| Balance previously reported | 413 962 |
| Correction of current portion of finance leases on 30 June 2013 - Refer to note 38.01 | 9 584 |
| | 423 546 |
| 38.03 INVESTMENT PROPERTY | |
| Balance previously reported | 35 709 648 |
| Recognise investment properties previously not recognised up to 30 June 2012 | 5 023 168 |
| Effect on Cost - Refer to note 38.12 | 5 058 000 |
| Effect on Accumulated Depreciation up to 30 June 2012 - Refer to note 38.12 | (29 032) |
| Effect on Accumulated Depreciation up to 30 June 2013 - Refer to note 39 | (5 800) |
| | 40 732 816 |
| 38.04 PROPERTY PLANT AND EQUIPMENT | |
| Balance previously reported | 244 594 114 |
| Recognise finance lease previously not recognised during 2011/2012 - Refer to note 38.01 | 27 359 |
| Recognise assets transferred from Department of Cultural Affairs and Sport previously not recognised during 2012/2013 - Refer to note 39 | 46 562 |
| Effect on Furniture | 934 |
| Effect on Office Equipment | 13 761 |
| Effect on Computer Hardware | 31 866 |
| Recognise Other Assets previously not recognised - Refer to note 38.12 | 4 168 871 |
| Effect on Vehicles | 26 665 |
| Effect on Tools & Equipment | 16 318 |
| Effect on Furniture | 3 413 |
| Effect on Special Vehicles | 365 668 |
| Effect on Chairs | 1 733 |
| Effect on Office Equipment | 16 444 |
| Effect on Computer Hardware | 9 964 |
| Effect on Other | 1 710 |
| Effect on Land | 2 623 000 |
| Effect on Buildings | 968 000 |
| Effect on Infrastructure Electricity Network | 135 958 |
| Recognise accumulated depreciation on assets previously not recognised up to 30 June 2012 - Refer to note 38.12 | (165 756) |
| Effect on Vehicles | (8 893) |
| Effect on Tools & Equipment | (8 050) |
| Effect on Furniture | (823) |
| Effect on Special Vehicles | (38 804) |
| Effect on Chairs | (578) |
| Effect on Office Equipment | (8 016) |
| Effect on Computer Hardware | (4 985) |
| Effect on Other | (221) |
| Effect on Leased Assets - Office Machines | (1 589) |
| Effect on Buildings | (48 453) |
| Effect on Infrastructure Electricity Network | (45 344) |
| Recognise depreciation on assets previously not recognised during 2012/2013 - Refer to note 39 | (36 204) |
| Effect on Vehicles | (1 778) |
| Effect on Tools & Equipment | (1 580) |
| Effect on Furniture | 179 |
| Effect on Special Vehicles | (6 275) |
| Effect on Chairs | (116) |
| Effect on Office Equipment | (2 601) |
| Effect on Computer Hardware | (2 481) |
| Effect on Other | (73) |
| Effect on Leased Assets - Office Machines | (2 736) |
| Effect on Buildings | (9 680) |
| Effect on Infrastructure Electricity Network | (9 064) |
| Effect on Infrastructure Roads and Storm water | (197 596) |
| Remove duplicate assets incorrectly included in asset register - Refer to note 38.12 | (31 000) |
| Effect on Land | (163 000) |
| Effect on Buildings | (3 596) |
| Effect on Office Equipment | 41 716 |
| Remove accumulated depreciation up to 30 June 2012 on duplicate assets incorrectly included in asset register - Refer to note 38.12 | 38 417 |
| Effect on Buildings | 3 299 |

CAPE AGULHAS LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

| | 2013 R |
|---|--------------------|
| Remove depreciation up to 30 June 2013 on duplicate assets incorrectly included in asset register - Refer to note 39 | 1 870 |
| Effect on Buildings | 1 630 |
| Effect on Office Equipment | 240 |
| Reversal of assets incorrectly disposed of on 30 June 2013 - Refer to note 39 | 27 730 |
| Effect on Tools & Equipment (Cost) | 49 905 |
| Effect on Furniture (Cost) | 11 276 |
| Effect on Chairs (Cost) | 8 939 |
| Effect on Office Equipment (Cost) | 313 |
| Effect on Other (Cost) | 1 589 |
| Effect on Tools & Equipment (Accumulated Depreciation) | (38 766) |
| Effect on Furniture (Accumulated Depreciation) | (1 880) |
| Effect on Chairs (Accumulated Depreciation) | (3 308) |
| Effect on Office Equipment (Accumulated Depreciation) | (73) |
| Effect on Other (Accumulated Depreciation) | (265) |
| Correction of depreciation up to 30 June 2012 (incorrect usefull lifes allocated to assets) - Refer to note 38.12 | 984 415 |
| Effect on Buildings | 391 246 |
| Effect on Computer Hardware | 74 593 |
| Effect on Leased Assets - Office Machines | 1 256 |
| Effect on Office Equipment | 14 686 |
| Effect on Other | 60 119 |
| Effect on Tools & Equipment | 38 265 |
| Effect on Recreation Grounds | 5 337 |
| Effect on Parks & Gardens | 1 284 |
| Effect on Infrastructure Roads and Storm water | 192 136 |
| Effect on Infrastructure Electricity Network | 5 050 |
| Effect on Infrastructure Sewerage Network | 14 141 |
| Effect on Infrastructure Water Network | 145 957 |
| Effect on Infrastructure Refuse Removal | 40 346 |
| Correction of depreciation during 2012/2013 (incorrect usefull lifes allocated to assets) - Refer to note 39 | 4 858 |
| Effect on Buildings | (31 975) |
| Effect on Computer Hardware | 7 411 |
| Effect on Leased Assets - Office Machines | (538) |
| Effect on Office Equipment | 1 365 |
| Effect on Other | 1 723 |
| Effect on Tools & Equipment | 1 253 |
| Effect on Recreation Grounds | 578 |
| Effect on Parks & Gardens | (258) |
| Effect on Infrastructure Roads and Storm water | 21 543 |
| Effect on Infrastructure Electricity Network | 33 |
| Effect on Infrastructure Sewerage Network | 1 005 |
| Effect on Infrastructure Water Network | (1 029) |
| Effect on Infrastructure Refuse Removal | 3 748 |
| Correction of low voltage network incorrectly unbundled in previous years | 4 751 586 |
| Effect on Infrastructure Electricity Network (Cost) - Refer to note 38.12 | 4 141 701 |
| Effect on Infrastructure Electricity Network (Accumulated Depreciation up to 30 June 2012) - Refer to note 38.12 | 926 239 |
| Effect on Infrastructure Electricity Network (Accumulated Depreciation up to 30 June 2013) - Refer to note 39 | (316 354) |
| Correction of depreciation charges on infrastructure electricity where completion dates of assets were incorrectly excluded | 596 577 |
| Effect on depreciation up to 30 June 2012 - Refer to note 38.12 | 612 710 |
| Effect on depreciation up to 30 June 2013 - Refer to note 39 | (16 134) |
| | 254 846 101 |
| 38.05 NON-CURRENT INVESTMENTS | 140 459 |
| Balance previously reported | 140 459 |
| Correction of impairment recognised on investment due to asset incorrectly recorded in the records of the municipal entity - Refer to note 39 | (5 199) |
| | 135 260 |
| 38.06 CURRENT EMPLOYEE BENEFITS | 5 502 083 |
| Balance previously reported | 5 502 083 |
| Recognise staff bonuses previously not recognised | 1 441 738 |
| Effect up to 30 June 2012 - Refer to note 38.12 | 1 282 317 |
| Effect during 2012/2013 - Refer to note 39 | 159 421 |
| Correction of lump sum pension fund payments previously not recognised | 129 858 |
| Effect up to 30 June 2012 - Refer to note 38.12 | 74 922 |
| Effect during 2012/2013 - Refer to note 39 | 54 936 |
| Recognise pension fund increases previously not granted to GF Muller | 53 921 |
| Effect up to 30 June 2012 - Refer to note 38.12 | 43 881 |
| Effect during 2012/2013 - Refer to note 39 | 10 039 |
| | 7 127 600 |

CAPE AGULHAS LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

| | 2013 R |
|---|-------------------|
| 38.07 PAYABLES FROM EXCHANGE TRANSACTIONS | |
| Balance previously reported | 5 772 164 |
| Correction of Retentions incorrectly removed from retention listing on 30 June 2012 - Refer to note 38.12 | 164 465 |
| Payable outstanding to the Department of Transport and Public Works incorrectly included under receivables - Refer to note 38.1 | 61 239 |
| Correction of Department of Transport and Public Works account | 171 890 |
| Effect on Taxes - Refer to note 38.08 | 4 000 |
| Effect on income and expenditure during 2012/2013 - Refer to note 39 | 28 183 |
| Effect on income and expenditure up to 30 June 2012 - Refer to note 38.12 | 139 707 |
| | 6 169 758 |
| 38.08 TAXES | |
| Balance previously reported | (181 657) |
| Correction of Department of Transport and Public Works account - Refer to note 38.07 | (4 000) |
| | (185 657) |
| 38.09 UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS | |
| Balance previously reported | 6 205 157 |
| Housing expenditure prior to 30 June 2012 incorrectly not recovered from grant funding - Refer to note 38.12 | (251 011) |
| | 5 954 146 |
| 38.10 RECEIVABLES FROM EXCHANGE TRANSACTIONS | |
| Balance previously reported | 12 554 163 |
| Payable outstanding to the Department of Transport and Public Works incorrectly included under receivables - Refer to note 38.07 | 61 239 |
| | 12 615 402 |
| 38.11 HOUSING DEVELOPMENT FUND | |
| Balance previously reported | 1 337 286 |
| Housing fund previously not utilised for housing development expenditure (2007 - 2009) - Refer to note 38.12 | (1 337 286) |
| | - |
| 38.12 ACCUMULATED SURPLUS | |
| Recognise capital redemption on finance leases up to 30 June 2012 previously not recognised - Refer to note 38.01 | 4 760 |
| Recognise Other Assets previously not recognised - Refer to note 38.04 | 4 168 871 |
| Recognise accumulated depreciation on assets previously not recognised up to 30 June 2012 - Refer to note 38.04 | (165 756) |
| Correction of depreciation up to 30 June 2012 (incorrect useful lives allocated to assets) - Refer to note 38.04 | 984 415 |
| Remove duplicate assets incorrectly included in asset register - Refer to note 38.04 | (197 596) |
| Remove accumulated depreciation up to 30 June 2012 on duplicate assets incorrectly included in asset register - Refer to note 38.04 | 41 716 |
| Correction of Retentions incorrectly removed from retention listing on 30 June 2012 - Refer to note 38.07 | (164 465) |
| Housing fund previously not utilised for housing development expenditure (2007 - 2009) - Refer to note 38.11 | 1 337 286 |
| Housing expenditure prior to 30 June 2012 incorrectly not recovered from grant funding - Refer to note 38.09 | 251 011 |
| Correction of lump sum pension fund payments previously not recognised - Refer to note 38.06 | (74 922) |
| Recognise staff bonuses previously not recognised - Refer to note 38.06 | (1 282 317) |
| Recognise pension fund increases previously not granted to GF Muller - Refer to note 38.06 | (43 881) |
| Correction of Department of Transport and Public Works account - Refer to note 38.07 | (139 707) |
| Correction of depreciation charges on infrastructure electricity where completion dates of assets were incorrectly excluded - Refer to note 38.04 | 612 710 |
| Correction of low voltage network incorrectly unbundled in previous years | 5 067 940 |
| Effect on Infrastructure Electricity Network (Cost) - Refer to note 38.04 | 4 141 701 |
| Effect on Infrastructure Electricity Network (Accumulated Depreciation up to 30 June 2012) - Refer to note 38.04 | 926 239 |
| Recognise investment properties previously not recognised up to 30 June 2012 | 5 028 968 |
| Effect on Cost - Refer to note 38.03 | 5 058 000 |
| Effect on Accumulated Depreciation up to 30 June 2012 - Refer to note 38.03 | (29 032) |
| | 15 429 033 |
| 39 CHANGES IN STATEMENT OF FINANCIAL PERFORMANCE IN TERMS OF GRAP 3 | |
| Balance previously reported | 12 439 871 |
| Recognise capital redemption on finance leases during 2012/2013 previously not recognised - Refer to note 38.01 | 8 762 |
| Effect on general expenses | 10 440 |
| Effect on finance charges | (1 678) |
| | (5 199) |
| Correction of impairment recognised on investment due to asset incorrectly recorded in the records of the municipal entity - Refer to note 38.05 | 46 562 |
| Recognise assets transferred from Department of Cultural Affairs and Sport previously not recognised during 2012/2013 - Refer to note 38.04 | (36 204) |
| Remove depreciation up to 30 June 2013 on duplicate assets incorrectly included in asset register - Refer to note 38.04 | 1 870 |
| Reversal of assets incorrectly disposed of on 30 June 2013 - Refer to note 38.04 | 27 730 |
| Correction of depreciation during 2012/2013 (incorrect useful lives allocated to assets) - Refer to note 38.04 | 4 858 |
| Correction of lump sum pension fund payments previously not recognised - Refer to note 38.06 | (54 936) |
| Recognise staff bonuses previously not recognised - Refer to note 38.06 | (159 421) |
| Recognise pension fund increases previously not granted to GF Muller - Refer to note 38.06 | (10 039) |
| Correction of depreciation charges on infrastructure electricity where completion dates of assets were incorrectly excluded - Refer to note 38.04 | (16 134) |
| Recognise investment properties previously not recognised up to 30 June 2013 (Depreciation) - Refer to note 38.03 | (5 800) |
| Correction of low voltage network incorrectly unbundled in previous years | (316 354) |
| Effect on Infrastructure Electricity Network (Accumulated Depreciation up to 30 June 2013) - Refer to note 38.04 | (316 354) |
| Correction of Department of Transport and Public Works account - Refer to note 38.07 | (28 183) |
| Effect on Agency Fees | (7 587) |
| Effect on Other Revenue | (20 596) |
| Total | 11 897 382 |

CAPE AGULHAS LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

| | | 2014 R | 2013 R |
|--|--|-------------------|-------------------|
| 40 RECONCILIATION BETWEEN NET SURPLUS/(DEFICIT) FOR THE YEAR AND CASH GENERATED/(ABSORBED) BY OPERATIONS | | | |
| Surplus/(Deficit) for the year | | 7 365 335 | 11 897 382 |
| Adjustments for: | | | |
| Depreciation and amortisation | | 8 244 648 | 7 174 942 |
| Impairments | | 2 484 188 | 262 194 |
| (Gain)/Loss on disposal of property, plant and equipment | | 1 266 201 | 6 774 616 |
| Contribution from/to employee benefits - non-current | | 4 486 737 | 3 863 676 |
| Contribution from/to employee benefits - non-current - expenditure incurred | | (949 480) | (917 280) |
| Contribution from/to employee benefits - non-current - actuarial losses | | 2 773 662 | 2 022 024 |
| Contribution to employee benefits - current | | 3 292 194 | 4 942 962 |
| Contribution to employee benefits - current - expenditure incurred | | (3 584 232) | (3 687 291) |
| Contribution to provisions - non-current | | 1 014 517 | 500 078 |
| Contribution to provisions - bad debt | | 2 968 851 | 2 179 110 |
| Bad debts written off | | (648 682) | (295 377) |
| Operating lease income accrued | | (4 907) | (15 958) |
| Grants Received | | 70 561 513 | 87 409 293 |
| Grant Expenditure | | (67 394 246) | (86 600 439) |
| Interest Received (Directly attributable to grants) | | 11 353 | 25 199 |
| Operating Surplus/(Deficit) before changes in working capital | | 31 887 654 | 35 535 133 |
| Changes in working capital | | (4 281 364) | (3 643 452) |
| Decrease in Payables from exchange transactions | | 561 264 | (678 940) |
| Increase/(Decrease) in Taxes | | 109 445 | (584 062) |
| (Increase)/Decrease in Inventory | | 216 513 | 64 746 |
| Increase in Receivables from exchange and non-exchange transactions | | (5 168 586) | (2 445 195) |
| Cash generated by operations | | 27 606 289 | 31 891 681 |
| 41 CASH AND CASH EQUIVALENTS | | | |
| Cash and cash equivalents included in the cash flow statement comprise the following: | | | |
| Cash Floats - Refer to note 22 | | 14 100 | 12 700 |
| Bank - Refer to note 22 | | 11 393 101 | 24 549 700 |
| Call Investment and Other Deposits - Refer to note 22 | | 10 000 000 | - |
| Total cash and cash equivalents | | 21 407 201 | 24 562 400 |
| 42 RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES | | | |
| Cash and Cash Equivalents - Refer to note 41 | | 21 407 201 | 24 562 400 |
| Cash held in Attorneys' Trust Account - Refer to note 20 | | - | 418 786 |
| Less: | | | |
| Unspent Committed Conditional Grants - Refer to note 10 | | 21 407 201 | 24 981 187 |
| VAT - Refer to note 11 | | 5 529 399 | 5 954 146 |
| Net cash resources available for internal distribution | | 5 529 399 | 5 954 146 |
| Allocated to: | | | |
| Capital Replacement Reserve | | 15 877 802 | 19 027 041 |
| Valuation Roll Reserve | | 15 750 000 | 16 500 000 |
| Resources available for working capital requirements | | 127 802 | 527 041 |
| 43 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION | | | |
| Long-term Liabilities - Refer to note 3 | | 807 331 | 1 079 687 |
| Used to finance property, plant and equipment - at cost | | (807 331) | (1 079 687) |
| Cash set aside for the repayment of long-term liabilities | | - | - |
| Cash invested for repayment of long-term liabilities | | - | - |
| 44 BUDGET COMPARISONS | | | |
| In order to comply with the requirements of GRAP 24.12 and GRAP 24.27, all required disclosures are included in pages 7 to 12. | | | |
| 45 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED | | | |
| 45.1 Unauthorised expenditure | | | |
| Reconciliation of unauthorised expenditure: | | | |
| Opening balance | | 25 552 730 | 10 367 490 |
| Unauthorised expenditure current year - capital | | 7 178 389 | 15 297 854 |
| Unauthorised expenditure current year - operating | | 8 293 287 | 10 254 875 |
| Approved by Council or condoned | | - | (10 367 490) |
| Unauthorised expenditure awaiting authorisation | | 41 024 406 | 25 552 730 |
| Incident | Disciplinary steps/criminal proceedings | | |
| Over expenditure of approved budget on votes 2013/14 | <i>None</i> | | |

CAPE AGULHAS LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

| | 2014 R (Actual) | 2014 R (Budget) | 2014 R (Variance) | 2014 R (Unauthorised) |
|---|-----------------------|-----------------------|-------------------------|-----------------------------|
| <u>Unauthorised expenditure current year - operating</u> | | | | |
| Executive and Council | 37 323 112 | 50 587 150 | (13 264 038) | - |
| Budget and Treasury Office | 27 511 812 | 24 854 044 | 2 657 768 | 2 657 768 |
| Corporate Services | 16 711 752 | 14 833 056 | 1 878 696 | 1 878 696 |
| Community and Social Services | 12 573 825 | 12 394 462 | 179 363 | 179 363 |
| Sport and Recreation | 6 984 286 | 8 089 754 | (1 105 468) | - |
| Public Safety | 6 601 439 | 6 235 852 | 365 587 | 365 587 |
| Road Transport | 9 896 024 | 9 943 159 | (47 135) | - |
| Electricity | 61 943 022 | 61 246 351 | 696 671 | 696 671 |
| Water | 12 181 964 | 11 744 466 | 437 498 | 437 498 |
| Waste Water Management | 6 911 437 | 6 633 271 | 278 166 | 278 166 |
| Waste Management | 11 952 348 | 10 152 811 | 1 799 537 | 1 799 537 |
| Environmental Protection | 397 902 | 512 123 | (114 221) | - |
| Other | 2 305 800 | 2 318 928 | (13 128) | - |
| | 213 294 724 | 219 545 427 | (6 250 703) | 8 293 287 |
| Expenditure per approved budget | | 225 195 427 | | |
| Indigent Subsidies recognised as revenue foregone | | (5 650 000) | | |
| | | 219 545 427 | | |

| | 2014 R (Actual) | 2014 R (Budget) | 2014 R (Variance) | 2014 R (Unauthorised) |
|---|-----------------------|-----------------------|-------------------------|-----------------------------|
| <u>Unauthorised expenditure current year - capital</u> | | | | |
| Executive and Council | 167 611 | - | 167 611 | 167 611 |
| Budget and Treasury Office | 832 859 | 450 000 | 382 859 | 382 859 |
| Corporate Services | 2 553 | 7 000 | (4 447) | - |
| Community and Social Services | 6 650 961 | 5 815 993 | 834 968 | 834 968 |
| Sport and Recreation | 1 179 433 | 1 251 000 | (71 567) | - |
| Road Transport | 9 459 395 | 9 691 975 | (232 580) | - |
| Electricity | 4 164 812 | 2 035 000 | 2 129 812 | 2 129 812 |
| Water | 45 098 | 100 000 | (54 902) | - |
| Waste Water Management | 8 150 410 | 6 775 125 | 1 375 285 | 1 375 285 |
| Waste Management | 2 501 355 | 213 500 | 2 287 855 | 2 287 855 |
| | 33 154 485 | 26 339 593 | 6 814 892 | 7 178 389 |

45.2 Fruitless and wasteful expenditure

None

45.3 Irregular expenditure

Reconciliation of irregular expenditure:

| | | |
|--|----------------|-------------|
| Opening balance | - | 2 037 225 |
| Irregular expenditure current year | 1 487 469 | - |
| Condoned or written off by Council | (714 931) | (2 037 225) |
| Irregular expenditure awaiting condonement | 772 538 | - |

| Incident | Disciplinary steps/criminal proceedings | |
|--|---|------------------|
| Premium Computers - Non-compliance with MFMA section 44. | None | 247 064 |
| Brasika - Services Rendered after contract have lapsed | None | 714 931 |
| Thusong Centre - Contract extended with more than 20% of tender award. | None | 525 475 |
| | | 1 487 469 |

The municipality is still awaiting condonement from National Treasury in terms of Section 170 of the MFMA

45.4 Material Losses

Electricity distribution losses

| | | |
|--|------------|------------|
| - Units purchased (Kwh) | 71 731 702 | 70 477 557 |
| - Units lost during distribution (Kwh) | 6 203 948 | 6 999 175 |
| - Percentage lost during distribution | 8.65% | 9.93% |
| - Rand Value of Loss | 3 346 003 | 3 163 464 |

Water distribution losses

| | | |
|--|-----------|-----------|
| - Kilo litres purified | 2 322 057 | 2 363 816 |
| - Kilo litres lost during distribution | 523 186 | 491 619 |
| - Percentage lost during distribution | 22.53% | 20.80% |
| - Rand Value of Loss | 668 895 | 604 691 |

46 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

46.1 Contributions to organised local government - [MFMA 125 (1)(b)] - SALGA CONTRIBUTIONS

| | | |
|--|------------------|-----------|
| Council subscriptions | 663 453 | 545 408 |
| Amount paid - current year | (1 426 816) | (545 408) |
| Payment in advance (included in note 19) | (763 363) | - |

CAPE AGULHAS LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

| | 2014 R | 2013 R |
|--|---|--|
| 46.2 Audit fees - [MFMA 125 (1)(c)] | | |
| Opening balance | 3 021 634 | 1 984 489 |
| Current year audit fee | External Audit - Auditor-General Audit Committee | 2 960 854 60 781 |
| Amount paid - current year | (3 021 634) | (1 984 489) |
| Balance unpaid | - | - |
| 46.3 VAT - [MFMA 125 (1)(c)] | | |
| Opening balance | 1 064 441 | 500 913 |
| Amounts received during the year | (2 510 500) | (1 555 238) |
| Amounts paid during the year | 1 632 528 | 1 371 915 |
| Amounts claimed - current year | 2 383 317 | 2 144 434 |
| Amounts payable - current year | (1 632 528) | (1 397 582) |
| Closing balance | 937 258 | 1 064 441 |
| Vat in suspense due to cash basis of accounting | (861 046) | (878 784) |
| VAT is payable on the receipt basis. Only once payment is received from the debtors is VAT paid over to SARS. All VAT returns have been submitted by the due date throughout the year. | | |
| 46.4 PAYE, SDL and UIF - [MFMA 125 (1)(c)] | | |
| Current year payroll deductions and Council Contributions | 9 518 056 | 8 621 751 |
| Amount paid - current year | (9 518 056) | (8 621 751) |
| Balance unpaid | - | - |
| 46.5 Pension and Medical Aid Deductions - [MFMA 125 (1)(c)] | | |
| Current year payroll deductions and Council Contributions | 16 001 736 | 14 200 324 |
| Amount paid - current year | (16 001 736) | (14 200 324) |
| Balance unpaid | - | - |
| 46.6 Councillor's arrear consumer accounts - [MFMA 124 (1)(b)] | | |
| The following Councillors had arrear accounts for more than 90 days as at 30 JUNE 2014: | | |
| | Outstanding more than 90 days | Outstanding more than 90 days |
| None | - | - |
| 46.7 Quotations awarded - Supply Chain Management | | |
| Approved deviations from Supply Chain Management Regulations were identified on the following categories: | | |
| Non Compliance per financial category | | |
| - Less than R 30 000 | 581 576 | 1 261 135 |
| - Between R 30 000 and R 200 000 | 1 668 073 | 1 432 064 |
| - More than R 200 000 | 4 322 660 | 1 613 636 |
| | 6 572 309 | 4 306 835 |
| 46.8 Other non-compliance [MFMA 125(2)(e)] | | |
| Section 32 (4) (a) of the MFMA states that the accounting officer must promptly inform the mayor, the MEC of local government in the province and the Auditor General in writing of any unauthorised, irregular or fruitless and wasteful expenditure incurred by the municipality. The municipality did not inform the relevant parties as required by the section. | | |
| 46.9 Trading with employees in service of the state (SCM 44) | | |
| During the year under review, the municipality engaged with the following employees in service of the state. | | |
| Name (State institution) | Supplier name | |
| J Abrahams (Western Cape: Education) | Khubeka Construction CC | 6 214 596 |
| N Eksteen (Denel SOC Ltd) | Premium Computers | 231 977 |
| TL Du Toit (Department of Health) | Cape Agulhas Civils | 247 064 |
| C Rhoda (In Service of State) | NCC Environmental Services CC | 7 207 229 |
| | 17 698 | - |
| | 7 471 990 | 6 446 574 |

CAPE AGULHAS LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

47

CAPITAL COMMITMENTS

Commitments in respect of capital expenditure:

Approved and contracted for:

GAP Housing
 Streets and Stormwater
 Upgrading of Welverdiend Library
 Thusong Centre
 Upgrading of Droe Rivier
 WWTW Suisbaai & Sewerage Scheme

Total

| | 2014 R | 2013 R |
|------------------|-------------------|------------|
| | 5 457 845 | 10 042 575 |
| 558 684 | - | |
| 4 402 341 | - | |
| 496 820 | - | |
| - | 2 018 699 | |
| - | 160 512 | |
| - | 7 863 364 | |
| 5 457 845 | 10 042 575 | |

This expenditure will be financed from:

Government Grants

| | |
|------------------|-------------------|
| 5 457 845 | 10 042 575 |
| 5 457 845 | 10 042 575 |

48

FINANCIAL RISK MANAGEMENT

The activities of the municipality expose it to a variety of financial risks, including market risk (comprising fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The municipality's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

(a) Foreign Exchange Currency Risk

The municipality does not engage in foreign currency transactions.

(b) Price risk

The municipality is not exposed to price risk.

(c) Interest Rate Risk

As the municipality has significant interest-bearing liabilities, the entity's income and operating cash flows are substantially dependent on changes in market interest rates.

The municipality analyses its potential exposure to interest rate changes on a continuous basis. Different scenarios are simulated which include refinancing, renewal of current positions, alternative financing and hedging. Based on these scenarios, the entity calculates the impact that a change in interest rates will have on the surplus/deficit for the year. These scenarios are only simulated for liabilities which constitute the majority of interest bearing liabilities.

The municipality did not hedge against any interest rate risks during the current year.

| | 2014 R | 2013 R |
|--|-----------|-----------|
|--|-----------|-----------|

The potential impact on the entity's surplus/deficit for the year due to changes in interest rates were as follow:

| | | |
|---|-----------|---------|
| 1% (2013 - 0.5%) Increase in interest rates | (134 529) | 9 611 |
| 0% (2013 - 0.5%) Decrease in interest rates | - | (9 611) |

(d) Credit Risk

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the municipality to incur a financial loss.

Credit risk consist mainly of cash deposits, cash equivalents, receivables and unpaid conditional grants and subsidies.

Receivables are disclosed net after provisions are made for impairment and bad debts. Receivables comprise of a large number of users, dispersed across different sectors and geographical areas. Ongoing credit evaluations are performed on the financial condition of these receivables. Credit risk pertaining to receivables are considered to be moderate due the diversified nature of receivables and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

All rates and services are payable within 30 days from invoice date. Refer to note 19 and 20 for all balances outstanding longer than 30 days. These balances represent all debtors at year end which defaulted on their credit terms. Also refer to note 19 for balances included in receivables that were re-negotiated for the period under review.

No receivables are pledged as security for financial liabilities.

Due to the short term nature of receivables the carrying value disclosed in note 19 and 20 of the financial statements is an approximation of its fair value. Interest on overdue balances are included at prime lending rate plus 1% where applicable.

CAPE AGULHAS LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

The provision for bad debts could be allocated between the different classes of debtors as follows:

| | 2014 % | 2014 R | 2013 % | 2013 R |
|-------|----------------|-------------------|----------------|------------------|
| Rates | 27.18% | 2 908 273 | 22.34% | 1 838 674 |
| Other | 72.82% | 7 791 716 | 77.66% | 6 391 371 |
| | <u>100.00%</u> | <u>10 699 989</u> | <u>100.00%</u> | <u>8 230 046</u> |

The entity only deposits cash with major banks with high quality credit standing. These banks are all listed on the JSE. The credit quality of these institutions are evaluated based on their required SENS releases as well as other media reports. Based on all public communications, the financial sustainability is evaluated to be of high quality and the credit risk pertaining to these institutions are considered to be low.

No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure are disclosed below.

The risk pertaining to unpaid conditional grants and subsidies are considered to be very low. Amounts are receivable from national and provincial government and there are no expectation of counter party default.

Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment.

| | 2014 R | 2013 R |
|---|-------------------|-------------------|
| Financial assets exposed to credit risk at year end are as follows: | | |
| Long term receivables | 324 457 | 357 052 |
| Receivables from exchange transactions | 15 042 831 | 12 761 827 |
| Receivables from non-exchange transactions | 846 816 | 424 074 |
| Cash and Cash Equivalents | 21 407 201 | 24 562 400 |
| Unpaid conditional grants and subsidies | - | 3 603 367 |
| | <u>37 621 305</u> | <u>41 708 721</u> |

(e) Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the treasury maintains flexibility in funding by maintaining availability under credit lines.

The entity's risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an on-going review of future commitments and credit facilities.

The table below analyses the entity's financial liabilities into relevant maturity groupings based on the remaining period at the financial year end to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

| | Less than 1 year | Between 1 and 5 years | Between 5 and 10 years | Over 10 Years |
|--|-------------------|-----------------------|------------------------|--------------------|
| | | | | |
| 2014 | | | | |
| Long Term liabilities - Annuity Loans | 238 724 | 477 180 | - | - |
| Capital repayments | 160 467 | 399 444 | - | - |
| Interest | 78 257 | 77 737 | - | - |
| Long Term liabilities - Finance Leases | 157 571 | 112 152 | - | - |
| Capital repayments | 143 318 | 104 103 | - | - |
| Interest | 14 253 | 8 049 | - | - |
| Provisions - Landfill Sites | 2 713 221 | - | - | 211 987 075 |
| Capital repayments | 2 713 221 | - | - | 21 325 455 |
| Interest | - | - | - | 190 661 620 |
| Payables from exchange transactions | 5 676 799 | - | - | - |
| Unspent conditional government grants and receipts | 5 529 399 | - | - | - |
| | <u>14 315 714</u> | <u>589 332</u> | <u>-</u> | <u>211 987 075</u> |
| 2013 | | | | |
| Long Term liabilities - Annuity Loans | 238 724 | 715 942 | - | - |
| Capital repayments | 138 864 | 559 856 | - | - |
| Interest | 99 860 | 156 086 | - | - |
| Long Term liabilities - Finance Leases | 307 272 | 99 163 | - | - |
| Capital repayments | 284 682 | 96 285 | - | - |
| Interest | 22 590 | 2 878 | - | - |
| Provisions - Landfill Sites | 310 511 | - | - | 219 151 983 |
| Capital repayments | 310 511 | - | - | 21 237 284 |
| Interest | - | - | - | 197 914 700 |
| Payables from exchange transactions | 4 656 713 | - | - | - |
| Unspent conditional government grants and receipts | 5 954 146 | - | - | - |
| | <u>11 467 365</u> | <u>815 105</u> | <u>-</u> | <u>219 151 983</u> |

CAPE AGULHAS LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

| | | | 2014 R | 2013 R |
|---|---|-----------------------|-------------------|-------------------|
| 49 | FINANCIAL INSTRUMENTS | | | |
| In accordance with GRAP 104 the financial instruments of the municipality are classified as follows: | | | | |
| 49.1 | Financial Assets | Classification | | |
| Long-term Receivables | | | | |
| Loans to organisations - at amortised cost | At amortised cost | | 4 439 | 10 994 |
| Individual housing loans | At amortised cost | | 313 463 | 339 819 |
| Non-Current Investments | | | | |
| Investment in Municipal Entity | At amortised cost | | 45 113 | 135 260 |
| Consumer and other Debtors | | | | |
| Receivables from exchange transactions | At amortised cost | | 15 042 831 | 12 761 827 |
| Receivables from non-exchange transactions | At amortised cost | | 846 816 | 424 074 |
| Other Debtors | | | | |
| Unpaid government grants | At amortised cost | | - | 3 603 367 |
| Current Portion of Long-term Receivables | | | | |
| Loans to organisations - at amortised cost | At amortised cost | | 6 554 | 6 239 |
| Bank Balances and Cash | | | | |
| Bank Balances | At amortised cost | | 21 393 101 | 24 549 700 |
| Cash Floats and Advances | At amortised cost | | 14 100 | 12 700 |
| | | | <u>37 666 418</u> | <u>41 843 980</u> |
| SUMMARY OF FINANCIAL ASSETS | | | | |
| At amortised cost | | | <u>37 666 418</u> | <u>41 843 980</u> |
| 49.2 | Financial Liability | Classification | | |
| Non-Current Liabilities | | | | |
| Annuity Loans | At amortised cost | | 399 444 | 559 856 |
| Capitalised Lease Liability | At amortised cost | | 104 103 | 96 285 |
| Non-Current Provisions - Landfill Sites | At amortised cost | | 21 325 455 | 21 237 284 |
| Current Provisions | | | | |
| Current Provisions - Landfill Sites | At amortised cost | | 2 713 221 | 310 511 |
| Payables from exchange transactions | | | | |
| Trade creditors | At amortised cost | | 3 199 842 | 1 861 038 |
| Retentions | At amortised cost | | 1 487 089 | 1 763 438 |
| Other Creditors | At amortised cost | | 601 774 | 662 674 |
| Deposits | At amortised cost | | 388 094 | 369 563 |
| Unspent Conditional Grants, Receipts and other contributions | | | | |
| Other Spheres of Government | At amortised cost | | 5 529 399 | 5 954 146 |
| Current Portion of Long-term Liabilities | | | | |
| Annuity Loans | At amortised cost | | 160 467 | 138 864 |
| Capitalised Lease Liability | At amortised cost | | 143 318 | 284 682 |
| | | | <u>36 052 205</u> | <u>33 238 341</u> |
| SUMMARY OF FINANCIAL LIABILITY | | | | |
| At amortised cost | | | <u>36 052 205</u> | <u>33 238 341</u> |
| 50 | EVENTS AFTER THE REPORTING DATE | | | |
| None | | | | |
| 51 | IN-KIND DONATIONS AND ASSISTANCE | | | |
| The municipality received a public contribution during the year under review to the value of R 1 290 000. The contribution was fully utilised in the upgrading of electricity infrastructure in the Blue Bay area (Suiderstrand). | | | | |
| 52 | PRIVATE PUBLIC PARTNERSHIPS | | | |
| Council has not entered into any private public partnerships during the financial year. | | | | |
| 53 | CONTINGENT LIABILITY | | | |
| Council do have the following contingent liabilities at the end of the financial year 2013/14. | | | | |
| 53.01 | The Council and DA Civils CC is still in the mediation-/arbitration process flowing from a claim of R3 210 179 (Vat Excl.) that was lodged by the Contractor against the Council due to solid rock digging in accordance with contract DCR 0041. The Contractor also claim interest from September 2004. The total approved amount was R1 064 239 (Vat excl.) from which R825 652 already paid to the Contractor. Council apposes the claim and due to potential legal cost implication, the mediation-/arbitration process is followed in an attempt to settle the claim outside the court. The matter is currently in mediation. | | | |
| 53.02 | The Council is currently party to a court case, case 2226/11 in which Verrewyde Eiensdom BPK instituted a claim of R33 119 510 regarding erf 599 Waenhuiskrans against the Council. Council filed a plea to the original claim. The matter is sub judice and the amount is regarded as a contingent liability until judgement is passed. | | | |

CAPE AGULHAS LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

- 53.03** A claim was lodged against the council by Spronk and Associates Incorporated for town planning performed on behalf of the municipality. The council opposes the appointment of the consultant due to inappropriate procedures followed during the procurement process. The amount of the claim is R 1 061 099.29
- 53.04** Labour case is pending between the former Municipal Manager and the Municipality of Cape Agulhas. The judgement was given by the CCMA and the case has been referred to the High Court for finalisation.
- 53.05** The municipality does not have a permit or license for all of the landfill sites currently in use and could be liable for a penalty in terms of section 24G of the Environmental Conservation Act.
- 53.06** The municipalities of Hessequa, Theewaterskloof, Swellendam and Cape Agulhas have lodged a section 44 dispute regarding the Overberg Water Board Bulk Water Tariffs in respect of the 2014/15 financial year affecting Klipdale and Protea in the municipal area. Provincial Treasury and SALGA is involved to facilitate the process between the four affected municipalities for recommendation to National Treasury to mediate the process in terms of circular 21.
- 53.07** Guarantees in favour of the following third parties
 - The Post Office - R 50 000

54 RELATED PARTIES

Key Management and Councillors receive and pay for services on the same terms and conditions as other ratepayers / residents.

54.1 Related Party Transactions

The rates, service charges and other charges are in accordance with approved tariffs that were advertised to the public. No bad debt expenses have been recognised in respect of amounts owed by related parties.

54.2 Related Party Loans

Since 1 July 2004 loans to councillors and senior management employees are not permitted.

54.3 Compensation of key management personnel

The compensation of key management personnel is set out in note 29 to the Annual Financial Statements.

54.4 Investment in Municipal Entity

The Municipality has a 100% shareholding in the Southernmost Development Agency (Soc) Ltd - Refer to note 16

54.5 Other related party transactions

| | | 2014 | 2013 |
|--|---|----------------|----------------|
| | | R | R |
| The following purchases were made during the year where Councillors, Management or Employees have an interest: | | | |
| <u>Councillor/Employee</u> | <u>Entity</u> | | |
| A Rudolph | AC Rudolph (Parent of A Rudolph) | 7 900 | - |
| C Leonard and U Hopley | KJ Hopley (Parent of C Leonard and U Hopley) | 1 000 | - |
| C Marthinus | T Marthinus T/A Ikhula Enterprises (Spouse of C Marthinus) | - | 1 600 |
| D Fredericks | Adonai Funeral Home (Brother of D Fredericks) | 22 500 | 5 800 |
| D Oncle | KJ Jansen (Parent of D Oncle) | 1 200 | 24 504 |
| F Pieterse | F Pieterse (Spouse of F Pieterse) | 7 800 | - |
| G Le Roux | PF Hammer (Parent of G Le Roux) | 35 600 | - |
| H Damons | Propatria Civil Enterprises (Brother of L Jacobs) | - | 414 986 |
| H de Jager | EE De Jager (Brother of H De Jager) | 29 401 | 115 799 |
| H Spandiel | Cape Agulhas Communications (Parent of H Spandiel) | 5 726 | 1 800 |
| J Diedericks | AD Diedericks/Diedericks Construction (Brother of J Diedericks) | 50 448 | 93 527 |
| J Teixeira & L Teixeira | M.A.T Overberg Retailers (Spouses of J Teixeira & L Teixeira) | 760 | 177 |
| W Van Zyl | J Van Zyl (Parent of W van Zyl) | 68 449 | - |
| R Marthinus | R Marthinus T/A Kassies Kove Restaurant (Former official) | - | 4 425 |
| R Temmers | JJ Temmers (Spouse of R Temmers) | - | 2 300 |
| | | <u>230 784</u> | <u>664 918</u> |

APPENDIX A - Unaudited
CAPE AGULHAS LOCAL MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2014

| EXTERNAL LOANS | Rate | Loan Number | Redeemable | Balance at 30 JUNE 2013 | Correction | Balance at 30 JUNE 2013 Restated | Received during the period | Redeemed written off during the period | Balance at 30 JUNE 2014 |
|--------------------------------|--------|-------------|------------|-------------------------|---------------|----------------------------------|----------------------------|--|-------------------------|
| ANNUITY LOANS | | | | | | | | | |
| DBSA | 15.00% | B48 | 30/06/2017 | 698 721 | - | 698 721 | - | 138 810 | 559 910 |
| Total Annuity Loans | | | | 698 721 | - | 698 721 | - | 138 810 | 559 910 |
| LEASE LIABILITY | | | | | | | | | |
| Office Equipment | | | | 367 130 | 13 837 | 380 967 | 167 611 | 301 158 | 247 421 |
| Total Lease Liabilities | | | | 367 130 | 13 837 | 380 967 | 167 611 | 301 158 | 247 421 |
| TOTAL EXTERNAL LOANS | | | | 1 065 850 | 13 837 | 1 079 687 | 167 611 | 439 968 | 807 331 |

APPENDIX B - Unaudited
CAPE AGULHAS LOCAL MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2014
GENERAL FINANCE STATISTIC CLASSIFICATIONS

| 2013 Actual Income R | 2013 Actual Expenditure R | 2013 Surplus/ (Deficit) R | | 2014 Actual Income R | 2014 Actual Expenditure R | 2014 Surplus/ (Deficit) R |
|-------------------------------|------------------------------------|------------------------------------|-------------------------------|-------------------------------|------------------------------------|------------------------------------|
| 73 984 992 | (48 476 116) | 25 508 875 | Executive and Council | 55 907 304 | (37 323 112) | 18 584 192 |
| 37 888 651 | (24 862 208) | 13 026 443 | Budget and Treasury Office | 42 714 390 | (27 511 812) | 15 202 577 |
| 896 354 | (20 393 024) | (19 496 670) | Corporate Services | 618 294 | (16 711 752) | (16 093 459) |
| 4 974 609 | (10 154 768) | (5 180 159) | Community and Social Services | 6 294 971 | (12 573 825) | (6 278 854) |
| 3 992 164 | (6 709 336) | (2 717 172) | Sport and Recreation | 4 254 403 | (6 984 286) | (2 729 883) |
| 2 867 641 | (5 448 914) | (2 581 273) | Public Safety | 3 454 737 | (6 601 439) | (3 146 703) |
| 3 261 349 | (13 374 021) | (10 112 672) | Road Transport | 212 441 | (9 896 024) | (9 683 583) |
| 65 679 676 | (57 034 446) | 8 645 230 | Electricity | 71 611 969 | (61 943 022) | 9 668 948 |
| 16 392 143 | (10 812 588) | 5 579 556 | Water | 17 163 069 | (12 181 964) | 4 981 104 |
| 6 434 871 | (6 101 183) | 333 689 | Waste Water Management | 7 655 607 | (6 911 437) | 744 170 |
| 9 806 279 | (8 420 299) | 1 385 980 | Waste Management | 10 772 875 | (11 952 348) | (1 179 472) |
| - | (383 053) | (383 053) | Environmental Protection | - | (397 902) | (397 902) |
| 4 511 | (2 115 901) | (2 111 390) | Other | - | (2 305 800) | (2 305 800) |
| 226 183 240 | (214 285 858) | 11 897 382 | Total | 220 660 058 | (213 294 724) | 7 365 335 |
| | | | | | | |

**APPENDIX C (1) - Unaudited
CAPE AGULHAS LOCAL MUNICIPALITY
OPERATING EXPENDITURE
ACTUAL VERSUS BUDGET FOR THE YEAR ENDED 30 JUNE 2014
GENERAL FINANCE STATISTIC CLASSIFICATIONS**

| | 2014 Actual (R) | 2014 Budget (R) | 2014 Variance (R) | 2014 Variance (%) | Explanation of Significant Variances greater than 10% versus Budget |
|-------------------------------|--------------------|--------------------|----------------------|----------------------|--|
| EXPENDITURE | | | | | |
| Executive and Council | 37 323 112 | 50 587 150 | (13 264 038) | (26%) | Underspending of proposed housing budget. |
| Budget and Treasury Office | 27 511 812 | 24 854 044 | 2 657 768 | 11% | Actuarial losses not budgeted for. |
| Corporate Services | 16 711 752 | 14 833 056 | 1 878 696 | 13% | Loss on disposal of assets not budgeted for |
| Community and Social Services | 12 573 825 | 12 394 462 | 179 363 | 1% | |
| Sport and Recreation | 6 984 286 | 8 089 754 | (1 105 468) | (14%) | Saving on salaries and wages |
| Public Safety | 6 601 439 | 6 235 852 | 365 587 | 6% | |
| Road Transport | 9 896 024 | 9 943 159 | (47 135) | (0%) | |
| Electricity | 61 943 022 | 61 246 351 | 696 671 | 1% | |
| Water | 12 181 964 | 11 744 466 | 437 498 | 4% | |
| Waste Water Management | 6 911 437 | 6 633 271 | 278 166 | 4% | |
| Waste Management | 11 952 348 | 10 152 811 | 1 799 537 | 18% | Impairment of landfill sites not budgeted for. |
| Environmental Protection | 397 902 | 512 123 | (114 221) | (22%) | |
| Other | 2 305 800 | 2 318 928 | (13 128) | (1%) | |
| Total Expenditure | 213 294 724 | 219 545 427 | (6 250 703) | | |

APPENDIX C (2) - Unaudited
CAPE AGULHAS LOCAL MUNICIPALITY
ACTUAL VERSUS BUDGET FOR THE YEAR ENDED 30 JUNE 2014
ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT, INVESTMENT PROPERTY & INTANGIBLE ASSETS
GENERAL FINANCE STATISTIC CLASSIFICATIONS

| | 2014 Actual (R) | 2014 Budget (R) | 2014 Variance (R) | 2014 Variance (%) | Explanation of Significant Variances greater than 10% versus Budget |
|-------------------------------|--------------------|--------------------|----------------------|----------------------|--|
| Executive and Council | 167 611 | - | 167 611 | 0% | |
| Budget and Treasury Office | 832 859 | 450 000 | 382 859 | 85% | Intangible Assets not budgeted for |
| Corporate Services | 2 553 | 7 000 | (4 447) | (64%) | |
| Community and Social Services | 6 650 961 | 5 815 993 | 834 968 | 14% | Over Expenditure on Thusong Centre |
| Sport and Recreation | 1 179 433 | 1 251 000 | (71 567) | (6%) | |
| Road Transport | 9 459 395 | 9 691 975 | (232 580) | (2%) | |
| Electricity | 4 164 812 | 2 035 000 | 2 129 812 | 105% | INEP incorrectly budgeted under operating |
| Water | 45 098 | 100 000 | (54 902) | (55%) | |
| Waste Water Management | 8 150 410 | 6 775 125 | 1 375 285 | 20% | RBIG over expenditure |
| Waste Management | 2 501 355 | 213 500 | 2 287 855 | 1072% | Increase in cost of rehabilitation |
| Total | 33 154 485 | 26 339 593 | 6 814 892 | 26% | |

APPENDIX D - Unaudited
CAPE AGULHAS LOCAL MUNICIPALITY
DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

| Grant Description | Balance 1 JULY 2013 | Correction of error | Balance 1 JULY 2013 | Grants Received | Interest Received | Paid back to grant provider | Operating Expenditure during the year Transferred to Revenue | Capital Expenditure during the year Transferred to Revenue | Balance 30 JUNE 2014 |
|---|------------------------|------------------------|------------------------|--------------------|----------------------|-----------------------------------|--|--|-------------------------|
| UNSPENT AND UNPAID GOVERNMENT GRANTS AND RECEIPTS | | | | | | | | | |
| | R | R | R | R | R | R | R | R | R |
| National Government Grants | | | | | | | | | |
| Equitable Share | - | - | - | 18 057 000 | - | - | 18 057 000 | - | - |
| Local Government Financial Management Grant | - | - | - | 1 300 000 | - | - | 1 300 000 | - | - |
| Municipal Systems Improvement Grant | - | - | - | 890 000 | - | - | 317 974 | 572 026 | - |
| Municipal Infrastructure Grant | - | - | - | 10 209 000 | - | - | 1 449 041 | 8 759 959 | - |
| Regional Bulk Infrastructure Grant (RBIG) | (3 362 502) | - | (3 362 502) | 5 558 000 | - | - | 269 623 | 1 925 875 | - |
| Skills Development Fund | - | - | - | 774 005 | - | - | 774 005 | - | - |
| National Electrification Programme (INEP) | (240 866) | - | (240 866) | 3 200 000 | - | - | 2 909 732 | 49 403 | - |
| Expanded Public Works Program | - | - | - | 1 000 000 | - | - | 1 000 000 | - | - |
| Total National Government Grants | (3 603 367) | - | (3 603 367) | 40 988 005 | - | - | 26 077 374 | 11 307 263 | - |
| Provincial Government Grants | | | | | | | | | |
| Library Services | 821 359 | - | 821 359 | 4 511 330 | - | - | 3 696 214 | 915 008 | 721 466 |
| Proclaimed Road Subsidy | - | - | - | 159 000 | - | - | 159 000 | - | - |
| CDW | 94 993 | - | 94 993 | 49 200 | - | - | 58 963 | 15 000 | 70 230 |
| Provincial Financial Grant | - | - | - | 200 000 | - | - | 200 000 | - | - |
| Masibambane Programme | 67 777 | - | 67 777 | - | - | - | 67 777 | - | - |
| RDP Housing Zwelithsha | 67 756 | - | 67 756 | - | - | - | - | - | 67 756 |
| RDP Housing Phase 4 | 251 011 | (251 011) | - | - | - | - | - | - | - |
| Thusong Centre | 838 708 | - | 838 708 | - | - | - | 102 999 | 735 709 | - |
| Department of Housing | 42 148 | - | 42 148 | 19 943 681 | - | - | 16 110 251 | - | 3 875 578 |
| Department of Housing (GAP Housing) | 303 372 | - | 303 372 | 1 498 933 | - | - | - | 1 794 362 | 7 943 |
| Department of Housing (Basic Services) | 799 249 | - | 799 249 | - | - | - | - | 649 032 | 150 216 |
| Department of Agriculture, Forestry and Fisheries | - | - | - | 3 000 000 | - | - | 2 927 961 | - | 72 039 |
| Mandela Memorial Contribution | - | - | - | 100 000 | - | - | 94 513 | - | 5 487 |
| Provincial Contribution to the acceleration of housing | 2 500 000 | - | 2 500 000 | - | - | - | 1 947 316 | - | 558 684 |
| Total Provincial Government Grants | 5 786 371 | (251 011) | 5 535 360 | 29 462 144 | - | - | 25 358 994 | 4 109 111 | 5 529 399 |
| District Municipality | | | | | | | | | |
| Mandela Memorial Contribution | - | - | - | 111 364 | - | - | 111 364 | - | - |
| Total Other Grants | - | - | - | 111 364 | - | - | 111 364 | - | - |
| Other Grant Providers | | | | | | | | | |
| IDC (Pre-Establishment Costs Southernmost Development Agency (Soc) Ltd) | 418 786 | - | 418 786 | - | 11 353 | (407 973) | 1 165 | 21 001 | - |
| Total Other Grants | 418 786 | - | 418 786 | - | 11 353 | (407 973) | 1 165 | 21 001 | - |
| Total | 2 601 790 | (251 011) | 2 350 779 | 70 561 513 | 11 353 | (407 973) | 51 548 897 | 15 437 376 | 5 529 399 |

APPENDIX E (1) - Unaudited
CAPE AGULHAS LOCAL MUNICIPALITY
NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014
REVENUE AND EXPENDITURE (STANDARD CLASSIFICATION)

| Description R thousand | 2013/2014 | | | | | | | 2012/2013 |
|--|-----------------|---|-----------------------------|-------------------|--|---|---|-----------------------------|
| | Original Budget | Budget Adjustments (i.t.o. MFMA s28) | Final adjustments budget | Actual Outcome | Variance of Actual Outcome against Adjustments Budget | Actual Outcome as % of Final Budget | Actual Outcome as % of Original Budget | Restated Audited Outcome |
| Revenue - Standard | | | | | | | | |
| Governance and administration | 106 787 | (968) | 105 818 | 99 240 | (6 578) | 93.8% | 92.9% | 112 770 |
| Executive and council | 64 308 | (968) | 63 340 | 55 907 | (7 432) | 88.3% | 86.9% | 73 985 |
| Budget and treasury office | 41 943 | - | 41 943 | 42 714 | 771 | 101.8% | 101.8% | 37 889 |
| Corporate services | 535 | - | 535 | 618 | 83 | 115.5% | 115.5% | 896 |
| Community and public safety | 14 586 | 1 201 | 15 787 | 14 004 | (1 783) | 88.7% | 96.0% | 11 834 |
| Community and social services | 5 990 | 1 201 | 7 192 | 6 295 | (897) | 87.5% | 105.1% | 4 975 |
| Sport and recreation | 5 083 | - | 5 083 | 4 254 | (828) | 83.7% | 83.7% | 3 992 |
| Public safety | 3 513 | - | 3 513 | 3 455 | (58) | 98.3% | 98.3% | 2 868 |
| Housing | - | - | - | - | - | - | - | - |
| Health | - | - | - | - | - | - | - | - |
| Economic and environmental services | 193 | - | 193 | 212 | 19 | 110.1% | 110.1% | 3 261 |
| Planning and development | - | - | - | - | - | - | - | - |
| Road transport | 193 | - | 193 | 212 | 19 | 110.1% | 110.1% | 3 261 |
| Environmental protection | - | - | - | - | - | - | - | - |
| Trading services | 112 749 | (4 558) | 108 192 | 107 204 | (988) | 99.1% | 95.1% | 98 317 |
| Electricity | 74 846 | (2 819) | 72 026 | 71 612 | (414) | 99.4% | 95.7% | 65 680 |
| Water | 19 007 | (905) | 18 102 | 17 163 | (939) | 94.8% | 90.3% | 16 392 |
| Waste water management | 7 462 | - | 7 462 | 7 656 | 194 | 102.6% | 102.6% | 6 435 |
| Waste management | 11 434 | (834) | 10 601 | 10 773 | 172 | 101.6% | 94.2% | 9 806 |
| Other | 1 | - | 1 | - | (1) | - | - | 5 |
| Total Revenue - Standard | 234 315 | (4 325) | 229 990 | 220 660 | (9 330) | 95.9% | 94.2% | 226 183 |
| Expenditure - Standard | | | | | | | | |
| Governance and administration | 88 897 | 1 377 | 90 274 | 81 547 | (8 728) | 90.3% | 91.7% | 93 731 |
| Executive and council | 50 877 | (290) | 50 587 | 37 323 | (13 264) | 73.8% | 73.4% | 48 476 |
| Budget and treasury office | 24 595 | 259 | 24 854 | 27 512 | 2 658 | 110.7% | 111.9% | 24 862 |
| Corporate services | 13 425 | 1 408 | 14 833 | 16 712 | 1 879 | 112.7% | 124.5% | 20 393 |
| Community and public safety | 31 849 | (5 128) | 26 720 | 26 160 | (561) | 97.9% | 82.1% | 22 313 |
| Community and social services | 16 846 | (4 452) | 12 394 | 12 574 | 179 | 101.4% | 74.6% | 10 155 |
| Sport and recreation | 8 511 | (421) | 8 090 | 6 984 | (1 105) | 86.3% | 82.1% | 6 709 |
| Public safety | 6 491 | (255) | 6 236 | 6 601 | 366 | 105.9% | 101.7% | 5 449 |
| Housing | - | - | - | - | - | - | - | - |
| Health | - | - | - | - | - | - | - | - |
| Economic and environmental services | 10 678 | (223) | 10 455 | 10 294 | (161) | 98.5% | 96.4% | 13 757 |
| Planning and development | - | - | - | - | - | - | - | - |
| Road transport | 10 166 | (223) | 9 943 | 9 896 | (47) | 99.5% | 97.3% | 13 374 |
| Environmental protection | 512 | - | 512 | 398 | (114) | 77.7% | 77.7% | 383 |
| Trading services | 92 076 | 20 | 92 096 | 95 295 | 3 199 | 103.5% | 103.5% | 84 484 |
| Electricity | 60 091 | 1 156 | 61 246 | 61 943 | 697 | 101.1% | 103.1% | 57 034 |
| Water | 12 599 | (855) | 11 744 | 12 182 | 437 | 103.7% | 96.7% | 10 813 |
| Waste water management | 7 048 | (415) | 6 633 | 6 911 | 278 | 104.2% | 98.1% | 6 101 |
| Waste management | 9 908 | 245 | 10 153 | 11 952 | 1 800 | 117.7% | 120.6% | 8 420 |
| Other | 2 429 | (110) | 2 319 | 2 306 | (13) | 99.4% | 94.9% | 2 116 |
| Total Expenditure - Standard | 223 500 | (3 954) | 219 545 | 213 295 | (6 251) | 97.2% | 95.4% | 214 286 |
| Surplus/(Deficit) for the year | 10 815 | (371) | 10 444 | 7 365 | (3 079) | 70.5% | 68.1% | 11 897 |

APPENDIX E (2) - Unaudited
CAPE AGULHAS LOCAL MUNICIPALITY
NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014
REVENUE AND EXPENDITURE (MUNICIPAL VOTE CLASSIFICATION)

| Description R thousand | 2013/2014 | | | | | | | 2012/2013 Restated Audited Outcome |
|---|-----------------|---|-----------------------------|-------------------|--|---|---|--|
| | Original Budget | Budget Adjustments (i.t.o. MFMA s28) | Final adjustments budget | Actual Outcome | Variance of Actual Outcome against Adjustments Budget | Actual Outcome as % of Final Budget | Actual Outcome as % of Original Budget | |
| Revenue by Vote | | | | | | | | |
| Executive and Council | 64 308 | (968) | 63 340 | 55 907 | (7 432) | 88.3% | 86.9% | 73 985 |
| Budget and Treasury Office | 41 943 | - | 41 943 | 42 714 | 771 | 101.8% | 101.8% | 37 889 |
| Corporate Services | 535 | - | 535 | 618 | 83 | 115.5% | 115.5% | 896 |
| Community and Social Services | 5 990 | 1 201 | 7 192 | 6 295 | (897) | 87.5% | 105.1% | 4 975 |
| Sport and Recreation | 5 083 | - | 5 083 | 4 254 | (828) | 83.7% | 83.7% | 3 992 |
| Public Safety | 3 513 | - | 3 513 | 3 455 | (58) | 98.3% | 98.3% | 2 868 |
| Road Transport | 193 | - | 193 | 212 | 19 | 110.1% | 110.1% | 3 261 |
| Electricity | 74 846 | (2 819) | 72 026 | 71 612 | (414) | 99.4% | 95.7% | 65 680 |
| Water | 19 007 | (905) | 18 102 | 17 163 | (939) | 94.8% | 90.3% | 16 392 |
| Waste Water Management | 7 462 | - | 7 462 | 7 656 | 194 | 102.6% | 102.6% | 6 435 |
| Waste Management | 11 434 | (834) | 10 601 | 10 773 | 172 | 101.6% | 94.2% | 9 806 |
| Other | 1 | - | 1 | - | (1) | - | - | 5 |
| Total Revenue by Vote | 234 315 | (4 325) | 229 990 | 220 660 | (9 330) | 95.9% | 94.2% | 226 183 |
| Expenditure by Vote to be appropriated | | | | | | | | |
| Executive and Council | 50 877 | (290) | 50 587 | 37 323 | (13 264) | 73.8% | 73.4% | 48 476 |
| Budget and Treasury Office | 24 595 | 259 | 24 854 | 27 512 | 2 658 | 110.7% | 111.9% | 24 862 |
| Corporate Services | 13 425 | 1 408 | 14 833 | 16 712 | 1 879 | 112.7% | 124.5% | 20 393 |
| Community and Social Services | 16 846 | (4 452) | 12 394 | 12 574 | 179 | 101.4% | 74.6% | 10 155 |
| Sport and Recreation | 8 511 | (421) | 8 090 | 6 984 | (1 105) | 86.3% | 82.1% | 6 709 |
| Public Safety | 6 491 | (255) | 6 236 | 6 601 | 366 | 105.9% | 101.7% | 5 449 |
| Road Transport | 10 166 | (223) | 9 943 | 9 896 | (47) | 99.5% | 97.3% | 13 374 |
| Electricity | 60 091 | 1 156 | 61 246 | 61 943 | 697 | 101.1% | 103.1% | 57 034 |
| Water | 12 599 | (855) | 11 744 | 12 182 | 437 | 103.7% | 96.7% | 10 813 |
| Waste Water Management | 7 048 | (415) | 6 633 | 6 911 | 278 | 104.2% | 98.1% | 6 101 |
| Waste Management | 9 908 | 245 | 10 153 | 11 952 | 1 800 | 117.7% | 120.6% | 8 420 |
| Environmental Protection | 512 | - | 512 | 398 | (114) | 77.7% | 77.7% | 383 |
| Other | 2 429 | (110) | 2 319 | 2 306 | (13) | 99.4% | 94.9% | 2 116 |
| Total Expenditure by Vote | 223 500 | (3 954) | 219 545 | 213 295 | (6 251) | 97.2% | 95.4% | 214 286 |
| Surplus/(Deficit) for the year | 10 815 | (371) | 10 444 | 7 365 | (3 079) | 70.5% | 68.1% | 11 897 |

APPENDIX E (3) - Unaudited
CAPE AGULHAS LOCAL MUNICIPALITY
NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014
REVENUE AND EXPENDITURE

| Description R thousand | 2013/2014 | | | | | | | 2012/2013 Restated Audited Outcome |
|--|-----------------|--------------------------------------|--------------------------|----------------|---|-------------------------------------|--|---------------------------------------|
| | Original Budget | Budget Adjustments (i.t.o. MFMA s28) | Final adjustments budget | Actual Outcome | Variance of Actual Outcome against Adjustments Budget | Actual Outcome as % of Final Budget | Actual Outcome as % of Original Budget | |
| Revenue By Source | | | | | | | | |
| Property rates | 39 103 | – | 39 103 | 39 325 | 223 | 100.6% | 100.6% | 34 763 |
| Service charges | 103 281 | (3 224) | 100 057 | 98 826 | (1 231) | 98.8% | 95.7% | 91 847 |
| Rental of facilities and equipment | 5 898 | – | 5 898 | 5 177 | (721) | 87.8% | 87.8% | 5 014 |
| Interest earned - external investments | 1 650 | – | 1 650 | 1 889 | 239 | 114.5% | 114.5% | 2 050 |
| Interest earned - outstanding debtors | 737 | – | 737 | 760 | 23 | 103.1% | 103.1% | 637 |
| Fines | 1 186 | – | 1 186 | 1 400 | 213 | 118.0% | 118.0% | 861 |
| Licences and permits | 1 244 | – | 1 244 | 963 | (281) | 77.4% | 77.4% | 1 036 |
| Agency services | 1 230 | – | 1 230 | 1 255 | 24 | 102.0% | 102.0% | 1 095 |
| Transfers recognised - operational | 62 543 | (1 306) | 61 237 | 51 549 | (9 688) | 84.2% | 82.4% | 62 888 |
| Other revenue | 4 025 | – | 4 025 | 4 079 | 54 | 101.3% | 101.3% | 2 279 |
| Total Revenue (excluding capital transfers and contributions) | 220 898 | (4 530) | 216 368 | 205 223 | (11 145) | -4776.5% | 92.9% | 202 471 |
| Expenditure By Type | | | | | | | | |
| Employee related costs | 77 029 | (1 518) | 75 510 | 72 810 | (2 700) | 96.4% | 94.5% | 68 537 |
| Remuneration of councillors | 3 338 | – | 3 338 | 3 288 | (50) | 98.5% | 98.5% | 3 077 |
| Debt impairment | 1 110 | – | 1 110 | 2 969 | 1 859 | 267.5% | 267.5% | 2 179 |
| Depreciation & asset impairment | 6 775 | 239 | 7 014 | 10 729 | 3 715 | 153.0% | 158.4% | 7 437 |
| Finance charges | 277 | 922 | 1 199 | 1 142 | (57) | 95.2% | 412.2% | 665 |
| Bulk purchases | 50 900 | 2 425 | 53 325 | 54 261 | 936 | 101.8% | 106.6% | 49 044 |
| Contracted services | 1 191 | (213) | 978 | 1 336 | 358 | 136.6% | 112.2% | 1 127 |
| Other expenditure | 82 881 | (5 809) | 77 072 | 65 494 | (11 577) | 85.0% | 79.0% | 75 445 |
| Loss on disposal of PPE | – | – | – | 1 266 | 1 266 | #DIV/0! | #DIV/0! | 6 775 |
| Total Expenditure | 223 500 | (3 954) | 219 545 | 213 295 | (6 251) | -5552.3% | 95.4% | 214 286 |
| Surplus/(Deficit) | (2 602) | (576) | (3 177) | (8 072) | (4 895) | 254.1% | 310.3% | (11 815) |
| Transfers recognised - capital | 13 417 | 205 | 13 622 | 15 437 | 1 816 | 113.3% | 115.1% | 23 712 |
| Surplus/(Deficit) for the year | 10 815 | (371) | 10 444 | 7 365 | (3 079) | 70.5% | 68.1% | 11 897 |

APPENDIX E (4) - Unaudited
CAPE AGULHAS LOCAL MUNICIPALITY
NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014
CAPITAL EXPENDITURE BY VOTE, STANDARD CLASSIFICATION AND FUNDING

| Description R thousand | 2013/2014 | | | | | | | 2012/2013 Restated Audited Outcome |
|---|-----------------|--|-----------------------------|-------------------|--|---|---|--|
| | Original Budget | Budget Adjustments (i.t.o. MFMA s28) | Final adjustments budget | Actual Outcome | Variance of Actual Outcome against Adjustments Budget | Actual Outcome as % of Final Budget | Actual Outcome as % of Original Budget | |
| Capital expenditure - Vote | | | | | - | - | - | - |
| Multi-year expenditure | | | | | - | - | - | - |
| Sport and Recreation | 900 | 61 | 961 | 933 | (28) | 97.1% | 103.7% | 70 |
| Public Safety | - | - | - | - | - | - | - | 103 |
| Road Transport | 7 867 | 650 | 8 517 | 7 685 | (832) | 90.2% | 97.7% | 5 999 |
| Electricity | 780 | - | 780 | 1 028 | 248 | 131.8% | 131.8% | 1 476 |
| Water | - | - | - | - | - | - | - | 85 |
| Waste Water Management | 8 875 | (2 950) | 5 926 | 7 494 | 1 568 | 126.5% | 84.4% | 9 068 |
| Waste Management | - | - | - | - | - | - | - | 60 |
| Capital multi-year expenditure | 18 422 | (2 239) | 16 184 | 17 140 | 957 | 105.9% | 93.0% | 16 861 |
| Single-year expenditure | | | | | | | | |
| Executive and Council | - | - | - | 168 | 168 | #DIV/0! | #DIV/0! | 14 |
| Budget and Treasury Office | 450 | - | 450 | 999 | 549 | 222.0% | 222.0% | 628 |
| Corporate Services | 7 | - | 7 | 3 | (4) | 36.5% | 36.5% | 296 |
| Community and Social Services | 1 572 | 3 071 | 4 643 | 6 485 | 1 842 | 139.7% | 412.6% | 2 589 |
| Sport and Recreation | 1 240 | (80) | 1 160 | 246 | (914) | 21.2% | 19.9% | 1 018 |
| Public Safety | - | - | - | - | - | - | - | 410 |
| Road Transport | 1 050 | 1 228 | 2 278 | 1 774 | (503) | 77.9% | 169.0% | 2 359 |
| Electricity | 1 380 | (125) | 1 255 | 3 136 | 1 881 | 249.9% | 227.3% | 452 |
| Water | 100 | - | 100 | 45 | (55) | 45.1% | 45.1% | 8 267 |
| Waste Water Management | 50 | - | 50 | 656 | 606 | 1312.3% | 1312.3% | 45 |
| Waste Management | 214 | - | 214 | 2 501 | 2 288 | 1171.6% | 1171.6% | 10 714 |
| Capital single-year expenditure | 6 062 | 4 094 | 10 156 | 16 014 | 5 858 | 158% | 264% | 26 792 |
| Total Capital Expenditure - Vote | 24 484 | 1 855 | 26 340 | 33 154 | 6 815 | 126% | 135% | 43 653 |
| Capital Expenditure - Standard | | | | | - | - | - | - |
| Governance and administration | 457 | - | 457 | 1 169 | 712 | 255.9% | 255.9% | 938 |
| Executive and council | - | - | - | 168 | 168 | #DIV/0! | #DIV/0! | 14 |
| Budget and treasury office | 450 | - | 450 | 999 | 549 | 222.0% | 222.0% | 628 |
| Corporate services | 7 | - | 7 | 3 | (4) | 36.5% | 36.5% | 296 |
| Community and public safety | 3 712 | 3 052 | 6 764 | 7 664 | 900 | 113.3% | 206.5% | 4 191 |
| Community and social services | 1 572 | 3 071 | 4 643 | 6 485 | 1 842 | 139.7% | 412.6% | 2 589 |
| Sport and recreation | 2 140 | (19) | 2 121 | 1 179 | (942) | 55.6% | 55.1% | 1 088 |
| Public safety | - | - | - | - | - | - | - | 513 |
| Economic and environmental services | 8 917 | 1 878 | 10 795 | 9 459 | (1 335) | 87.6% | 106.1% | 8 358 |
| Road transport | 8 917 | 1 878 | 10 795 | 9 459 | (1 335) | 87.6% | 106.1% | 8 358 |
| Trading services | 11 399 | (3 075) | 8 324 | 14 862 | 6 537 | 178.5% | 130.4% | 30 166 |
| Electricity | 2 160 | (125) | 2 035 | 4 165 | 2 130 | 204.7% | 192.8% | 1 927 |
| Water | 100 | - | 100 | 45 | (55) | 45.1% | 45.1% | 8 352 |
| Waste water management | 8 925 | (2 950) | 5 976 | 8 150 | 2 175 | 136.4% | 91.3% | 9 113 |
| Waste management | 214 | - | 214 | 2 501 | 2 288 | 1171.6% | 1171.6% | 10 773 |
| Total Capital Expenditure - Standard | 24 484 | 1 855 | 26 340 | 33 154 | 6 815 | 126% | 135% | 43 653 |
| Funded by: | | | | | - | - | - | - |
| National Government | 13 217 | (2 950) | 10 267 | 11 307 | 1 040 | 110.1% | 85.6% | 18 607 |
| Provincial Government | 200 | 3 155 | 3 355 | 4 109 | 754 | 122.5% | 2054.6% | 4 778 |
| Other transfers and grants | - | - | - | - | - | - | - | 328 |
| Transfers recognised - capital | 13 417 | 205 | 13 622 | 15 416 | 1 795 | 113% | 115% | 23 712 |
| Public contributions & donations | - | - | - | - | - | - | - | - |
| Borrowing | - | - | - | 168 | 168 | #DIV/0! | #DIV/0! | 44 |
| Internally generated funds | 11 068 | 1 650 | 12 718 | 17 570 | 4 853 | 138.2% | 158.8% | 19 896 |
| Total Capital Funding | 24 484 | 1 855 | 26 340 | 33 154 | 6 815 | 126% | 135% | 43 653 |

APPENDIX E (5) - Unaudited
CAPE AGULHAS LOCAL MUNICIPALITY
NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014
CASH FLOWS

| Description R thousand | 2013/2014 | | | | | | | 2012/2013 Restated Audited Outcome |
|---|-----------------|---|-----------------------------|-------------------|--|---|---|--|
| | Original Budget | Budget Adjustments (i.t.o. MFMA s28) | Final adjustments budget | Actual Outcome | Variance of Actual Outcome against Adjustments Budget | Actual Outcome as % of Final Budget | Actual Outcome as % of Original Budget | |
| CASH FLOW FROM OPERATING ACTIVITIES | | | | | - | - | - | |
| Receipts | | | | | | | | |
| Ratepayers and other | 160 313 | (3 155) | 157 158 | 146 824 | (10 334) | 93.4% | 91.6% | 140 762 |
| Government - operating | 62 543 | (4 020) | 58 523 | 55 124 | (3 399) | 94.2% | 88.1% | 63 697 |
| Government - capital | 13 417 | 495 | 13 912 | 15 437 | 1 526 | 111.0% | 115.1% | 23 712 |
| Interest | 2 068 | - | 2 068 | 2 660 | 593 | 128.7% | 128.7% | 2 712 |
| Payments | | | | | - | - | - | |
| Suppliers and employees | (220 396) | 9 910 | (210 486) | (191 298) | 19 188 | 90.9% | 86.8% | (198 384) |
| Finance charges | (277) | (922) | (1 199) | (1 142) | 57 | 95.2% | 412.2% | (663) |
| NET CASH FROM/(USED) OPERATING ACTIVITIES | 17 668 | 2 308 | 19 976 | 27 606 | 7 630 | 138.2% | 156.3% | 31 836 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | - | - | - | |
| Receipts | | | | | 15 260 | - | - | |
| Proceeds on disposal of PPE | - | - | - | - | | | | 230 |
| Decrease (increase) other non-current receivables | 5 | 1 | 6 | 33 | 26 | 522.5% | 651.9% | 29 |
| Decrease (increase) in non-current investments | - | - | - | (21) | (21) | #DIV/0! | #DIV/0! | (377) |
| Payments | | | | | - | - | - | |
| Capital assets | (24 484) | (1 855) | (26 340) | (30 731) | (4 392) | 116.7% | 125.5% | (33 654) |
| NET CASH FROM/(USED) INVESTING ACTIVITIES | (24 479) | (1 854) | (26 333) | (30 720) | (4 386) | 116.7% | 125.5% | (33 772) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | | - | - | - | |
| Receipts | | | | | - | - | - | |
| Borrowing long term/refinancing | - | - | - | 168 | 168 | #DIV/0! | #DIV/0! | 44 |
| Increase (decrease) in consumer deposits | 201 | (70) | 130 | 231 | 101 | 177.4% | 115.1% | 260 |
| Payments | | | | | (8 505) | - | - | |
| Repayment of borrowing | (400) | 131 | (269) | (440) | (171) | 163.6% | 110.1% | (390) |
| NET CASH FROM/(USED) FINANCING ACTIVITIES | (199) | 60 | (139) | (42) | 97 | 30.0% | 20.9% | (87) |
| NET INCREASE/ (DECREASE) IN CASH HELD | (7 011) | 515 | (6 496) | (3 155) | 3 341 | 48.6% | 45.0% | (2 022) |
| Cash/cash equivalents at the year begin: | 16 572 | 7 990 | 24 562 | 24 562 | 0 | 100.0% | 148.2% | 26 585 |
| Cash/cash equivalents at the year end: | 9 561 | 8 505 | 18 066 | 21 407 | 3 438 | 118.5% | 223.9% | 24 562 |